



## FRANCHISE DISCLOSURE DOCUMENT

Quad Queens LLC  
A California limited liability company  
936 W. Florence Avenue  
Inglewood, California 90301  
(424) 371-5600  
info@randysdonuts.com  
[www.randysdonuts.com](http://www.randysdonuts.com)

The franchise offered is to operate a retail shop under the “RANDY’S DONUTS®” name and other trademarks that offers and sells donuts, coffee, and other products.

The total investment necessary to begin operation of a new RANDY’S DONUTS® Shop is \$631,000 to \$784,000 for an in-line (non-drive-thru) location, \$1,028,000 to \$1,222,000 for a drive-thru location, \$297,000 to \$394,000 for a kiosk (non-baking) location without a separate commissary production facility, and \$400,000 to \$481,000 for a separate commissary production facility for a kiosk operation or to service multiple stores. This includes \$40,000 to \$55,000 that must be paid to the franchisor or affiliate. If you want development rights for at least 2 RANDY’S DONUTS® Shops, you must pay us a development fee equal to \$35,000 (the initial franchise fee for the first Shop) plus a \$12,500 deposit toward each additional Shop’s \$25,000 initial franchise fee. This means that your estimated initial investment if you acquire development rights will equal one of the ranges described above (depending on the type of location you choose to develop) plus the applicable development fee (depending on how many Shops you commit to develop).

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 Nicolette Kelegian at 936 W. Florence Avenue, Inglewood, California 90301, (424) 371-5600 or nicolette@randysdonuts.com.

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

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

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

Issuance date of this Franchise Disclosure Document: April 8, 2024

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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 the Development Rights Agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in the franchisor's then-current home state (currently California). 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 its then-current home state (currently California) than in your own state.
2. **Supplier Control.** You must purchase all of the inventory or supplies that are necessary to operate your business from suppliers that the franchisor designates, at prices 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.
3. **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.

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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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 Section  
670 G. Mennen Williams Building  
525 West Ottawa, Lansing, Michigan 48933  
(517) 335-7567

Notwithstanding paragraph (f) above, we intend to enforce fully the provisions of the arbitration sections in our Franchise Agreement and Development Rights Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration provision. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement and the Development Rights Agreement will govern our relationship with you, including the specific requirements of the arbitration section.

## TABLE OF CONTENTS

	<b>Page</b>
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....	1
ITEM 2 BUSINESS EXPERIENCE .....	3
ITEM 3 LITIGATION.....	4
ITEM 4 BANKRUPTCY .....	4
ITEM 5 INITIAL FEES.....	4
ITEM 6 OTHER FEES .....	6
ITEM 7 ESTIMATED INITIAL INVESTMENT.....	14
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	29
ITEM 9 FRANCHISEE’S OBLIGATIONS .....	35
ITEM 10 FINANCING.....	38
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	38
ITEM 12 TERRITORY .....	53
ITEM 13 TRADEMARKS .....	57
ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	59
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	61
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	62
ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION .....	63
ITEM 18 PUBLIC FIGURES.....	70
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....	70
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION .....	74
ITEM 21 FINANCIAL STATEMENTS .....	77

## TABLE OF CONTENTS

	<b>Page</b>
ITEM 22    CONTRACTS.....	77
ITEM 23    RECEIPTS .....	77
<b><u>EXHIBITS</u></b>	
Exhibit A    Financial Statements	
Exhibit B    Franchise Agreement	
Exhibit C    Development Rights Agreement	
Exhibit D    Operations Manual Table of Contents	
Exhibit E    List of State Agencies/Agents for Service of Process	
Exhibit F    Franchisee Representations Document	
Exhibit G    Form of General Release	
Exhibit H    State-Specific Addenda / Riders to Franchise Agreement and Development Rights Agreement	
Exhibit I    Lists of Existing Franchisees / Departed Franchisees	
State Effective Dates	
Receipts	



## Item 1

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

#### The Franchisor

The franchisor is Quad Queens LLC (“we,” “us,” or “our”). “You” means the entity to which we grant a franchise and, if applicable, development rights. Your owners must sign our “Guaranty and Assumption of Obligations” or “Owner’s Undertaking of Non-Monetary Obligations” (depending on the ownership percentage). This means all or some of our Franchise Agreement’s provisions (Exhibit B) also will apply to your owners.

We are a California limited liability company. Our principal business address is 936 W. Florence Avenue, Inglewood, California 90301. We conduct business under our limited liability company name, the trademark “RANDY’S DONUTS®,” and other trademarks described in Item 13. We do not conduct business under another name.

Our predecessor and former affiliate is Larryron Enterprises Inc., from which we acquired all intellectual property associated with the RANDY’S DONUTS® brand in May 2017. Larryron Enterprises merged into another affiliate of ours, Sansmark Inc., on January 1, 2019 (with Sansmark the surviving entity) (“Sansmark”). Sansmark’s principal business address is the same as ours. Larryron Enterprises’ principal business address was the same as ours from May 2017 until the merger. Larryron Enterprises operated the flagship RANDY’S DONUTS Shop at 805 W. Manchester Boulevard, Inglewood, California 90301 (which was also Larryron Enterprises’ principal business address until May 2017) from approximately 1982 until the merger. Sansmark now operates that Shop and has operated one or more RANDY’S DONUTS Shops in California since August 2015. A different affiliate of ours has operated RANDY’S DONUTS Shops in Nevada since 2022. We have no other predecessors, parent companies, or affiliates disclosable in this Item 1.

If we have an agent in your state for service of process, we disclose that agent in Exhibit E.

#### The Franchise Offered

We grant franchises to develop and operate shops identified by the Marks that offer and sell donuts, coffee, and other products. We call these Shops “RANDY’S DONUTS Shops.” In this disclosure document, we refer to your RANDY’S DONUTS Shop as the “Shop.” RANDY’S DONUTS Shops operate under the trademarks, service marks, and other commercial symbols we periodically designate, including “RANDY’S DONUTS®” (the “Marks”), and the mandatory specifications, standards, operating procedures, and rules we periodically specify for RANDY’S DONUTS Shops (“Brand Standards”). Your Shop must offer the products and services we specify.

Your Shop will operate at an in-line (non-drive-thru) location, at a drive-thru location, or at a kiosk (non-baking) location. Because kiosk locations do not bake the donuts (and other items) you will sell at your Shop, you must have a facility at which to produce those products for sale at the kiosk. The primary facility options are an in-line or a drive-thru location (if the kiosk

is your second or subsequent RANDY'S DONUTS Shop). However, if you do not want to invest in an in-line or a drive-thru location, you can choose to produce donuts in a separate commissary location (not for sale to the public) specifically for your kiosk location. The commissary location's initial investment cost contemplates setting up the commissary so it ultimately can serve multiple Shops even though it is initially equipped solely for a single kiosk. There are additional equipment and other costs if the commissary location will produce for multiple Shops (which vary based on the number of Shops)

We also grant multi-unit development rights to qualified franchisees, which then will have the right and obligation to develop a specific number of RANDY'S DONUTS Shops within a defined territory according to a pre-determined, mandatory development schedule. Those franchisees may construct, open, and operate their RANDY'S DONUTS Shops directly or through "Approved Affiliates," which are entities whose majority ownership is owned and controlled by you or your owners. Our Development Rights Agreement (Exhibit C), which we also reference as "DRA," governs a franchisee's multi-unit development rights and obligations. If you sign a Development Rights Agreement, you (or your Approved Affiliate) also will sign a Franchise Agreement for your first RANDY'S DONUTS Shop at the same time.

Franchisees signing our DRAs must sign our then-current form of Franchise Agreement for each additional RANDY'S DONUTS Shop they develop under the DRA. While that form may differ substantially and materially year to year from the first Franchise Agreement they sign for their first RANDY'S DONUTS Shop (our current version of Franchise Agreement is disclosed in this disclosure document), we will reduce the initial franchise fee for the 2<sup>nd</sup> and each subsequent RANDY'S DONUTS Shop you commit to develop under the DRA.

We also commit (but only if you are in full compliance) to charge during the initial franchise term for each RANDY'S DONUTS Shop you develop under the DRA the same Royalty, Brand Fund contribution, Local Marketing Spending Requirement, and minimum required Market Introduction Program expense we reserve the right to charge you under the first Franchise Agreement you sign. However, if you and your Approved Affiliates are not, when the next franchise agreement is signed, in full compliance with the DRA and all other franchise agreements then in effect with us for RANDY'S DONUTS Shops, then we reserve the right to charge, without modification, the Royalty, Brand Fund contribution, Local Marketing Spending Requirement, and minimum required Market Introduction Program expense specified under our then-current form of franchise agreement.

### Franchising History

We have offered franchises and development rights for RANDY'S DONUTS Shops in the United States since March 2019. We have no other material business activities and have not offered franchises in other lines of business. We have never operated a RANDY'S DONUTS Shop. However, as disclosed above, Larryron Enterprises (our predecessor and former affiliate that has since merged into Sansmark) operated a RANDY'S DONUTS Shop beginning in approximately 1982 after acquiring the original RANDY'S DONUTS Shop that first opened in approximately 1952. Sansmark now operates that Shop and has operated other RANDY'S DONUTS Shops since August 2015. Larryron Enterprises did not offer, and Sansmark has not offered, franchises in any line of business.

## Competition

Your Shop will offer products and services to the general public throughout the year. The donut industry is mature and competitive. You will compete with numerous businesses, including national, regional, and local donut chains (both company-owned and franchised), specialty mom-and-pop donut shops, bakeries, coffee shops, grocery and convenience stores, and other foodservice businesses. However, we believe RANDY'S DONUTS Shops are distinguishable by their unique, high-quality products.

## Laws and Regulations

No regulations apply specifically to the industry in which RANDY'S DONUTS Shops operate. However, federal, state, and local food-safety, sanitation, handling, labeling, storage, and other laws governing all foodservice operations are likely to impact your Shop's operations more than others. You must comply with all of these laws and with laws applying generally to all businesses. You should investigate these laws and regulations when evaluating your franchise acquisition.

## **Item 2** **BUSINESS EXPERIENCE**

### Managing Member: Mark Kelegian

Mr. Kelegian has been our Managing Member since May 2017. He also has been President of Kelson Enterprises, Inc., located in Newport Beach, California, since January 2006, President of Sansmark Inc., located in Newport Beach, California, since August 2017, and Managing Partner of Ocean's 11 Casino, located in Oceanside, California, since September 2009.

### Vice President: Nicolette Kelegian

Ms. Kelegian has been our Vice President since August 2018. She also has been an employee of Kelson Enterprises, Inc., located in Newport Beach, California, since January 2017 and Vice President of Sansmark, located in Newport Beach, California, since August 2017.

### Vice President: Ashley Kelegian

Ms. Kelegian has been our Vice President since January 2020. She also has been an employee of Kelson Enterprises, Inc., located in Newport Beach, California, since January 2017. Ms. Kelegian was a Supply Chain Manager for Shake Shack, located in New York, New York, from June 2018 to January 2020.

### Head of Operations: Samara Friedman

Ms. Friedman has been our Head of Operations since December 2018.

**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**

You must pay us an initial franchise fee in a lump sum when you sign the Franchise Agreement. The initial franchise fee is \$35,000 for your first RANDY'S DONUTS Shop and \$25,000 for your second or subsequent RANDY'S DONUTS Shop. The initial franchise fee is not refundable under any circumstances. We waived the initial franchise fee during 2023 for one licensee that signed an agreement for a RANDY'S DONUTS Shop to be located in a non-traditional venue.

If you purchase an existing Shop from a franchisee, you will not pay an initial franchise fee. Instead, we receive a transfer fee from you or the selling franchisee (depending on your arrangement). This payment is not refundable.

You must spend at least \$10,000 to conduct a public relations and market introduction program for the Shop. We expect this program to begin approximately one month before and to continue for approximately one month after the Shop opens (although we have the right to specify a different timeframe). We will consult with you about the type of public relations and market introduction program that we believe is most suitable for your Shop's market. At our request, you must pay us for the program's anticipated costs, which we then will either spend on your behalf in the Shop's market or re-pay you as you send us invoices or receipts confirming your commitment with vendors to move forward with the approved program. This payment is not refundable.

Our system provides initial training for up to 5 people for no additional fee if this is your first RANDY'S DONUTS Shop. However, if your Operator or a manager cancels participation in any training class that is part of the initial training we provide for no additional fee after granting you the franchise, you must pay us a cancellation fee. The cancellation fee is one-half of our then-applicable training fee per person (up to \$400 per trainer per day) if the person cancels more than 2 weeks before the class or program is scheduled to begin and 100% of our then-applicable training fee per person (up to \$400 per trainer per day) if the person cancels 2 weeks or less before the class or program is scheduled to begin. This fee is due immediately and is not refundable.

We will send an "opening team" (involving the number of people we determine) to the Shop as part of its opening for up to 2 weeks (typically starting before and continuing after actual

opening) to help you train your supervisory employees on our philosophy and Brand Standards (but not matters relating to labor relations and employment practices) and prepare the Shop for opening. While we will pay our opening team's wages, you must pay our opening team's travel-related expenses, including coach or economy airfare, local transportation (including airport transfers), accommodations in a facility subject to our approval, meals, and a daily allowance upon which we and you agree for reasonable miscellaneous expenses. We estimate this amount to be \$5,000 to \$10,000 depending on your location (e.g., the expenses should be lower for a California-based franchisee). This payment is not refundable.

### Development Rights Agreement

If you sign our DRA because you commit to develop multiple RANDY'S DONUTS Shops in a designated territory, we currently charge a development fee that you must pay in full when you sign the DRA. The development fee equals the full \$35,000 initial franchise fee for the first Shop covered by the first Franchise Agreement you sign concurrently with the DRA, plus a \$12,500 deposit for each additional Shop you commit to develop under the DRA. You must pay the rest of the initial franchise fee for each Shop (that is, \$12,500) when you sign the Franchise Agreement for that Shop. The initial franchise fee for each Shop you commit to develop after the first one is \$25,000. We will identify the number of Shops you must develop (a minimum of 2), the deadlines for developing them, and the applicable development fee before signing the DRA.

The development fee is not refundable under any circumstances. If you sign the DRA, pay the development fee, and then cannot find sites for RANDY'S DONUTS Shops or choose for another reason not to perform (in which case we terminate the DRA), we have the right to keep the entire development fee and need not return any money to you. However, each time you (or your "Approved Affiliate") sign a franchise agreement for the next RANDY'S DONUTS Shop to be developed within the territory, we will apply the deposit related to that Shop toward the initial franchise fee due for that Shop (leaving the \$12,500 balance of the initial franchise fee due at signing of the Franchise Agreement).

In addition, if we, our affiliate, or another franchisee or licensee develops a RANDY'S DONUTS Shop at or within a "Restricted Venue" in the territory that is not a "Non-Traditional Venue" (which is a right described in Item 12), and you then choose to develop one less RANDY'S DONUTS Shop under the development schedule, we will credit the deposit that you paid for that Shop as part of the development fee (i.e., the \$12,500) toward the remainder of the initial franchise fee due to us for the subsequent RANDY'S DONUTS Shop that you committed to develop under the DRA.

We will review potential Shop sites that you identify within your development Territory and have the right, but no obligation, to visit the territory once (for no additional fee) to review and consider your potential sites for each RANDY'S DONUTS® Shop to be constructed and developed under the DRA. We have the right to require you to reimburse our out-of-pocket expenses (up to \$2,000) for each site visit after the first per-Shop visit or if you request that we visit a site.

**Item 6**  
**OTHER FEES**

Column 1	Column 2	Column 3	Column 4
Type of Fee <sup>(1)</sup>	Amount <sup>(2)</sup>	Due Date	Remarks
Royalty	5% of Shop's weekly Gross Sales <sup>(3)</sup>	Due by Wednesday after the end of each calendar-week period (each calendar week currently begins on Monday and ends on Sunday) <sup>(4)</sup>	
Brand Fund Contributions	Up to 4% of Shop's weekly Gross Sales <sup>(3)</sup>	Due by Wednesday after the end of each calendar-week period (each calendar week currently begins on Monday and ends on Sunday) <sup>(4)</sup>	We do not yet collect this fee. Item 11 discusses the Brand Fund and your other advertising obligations. Your total Brand Fund contribution, Local Marketing Spending Requirement, and Cooperative expenditures will not exceed 5% of your Shop's Gross Sales.
Local Marketing Spend	Up to 2% of Shop's monthly Gross Sales (but currently at 1%)	Must be spent monthly <sup>(6)</sup>	Your total Brand Fund contribution, Local Marketing Spending Requirement, and Cooperative expenditures will not exceed 5% of your Shop's Gross Sales.

Column 1	Column 2	Column 3	Column 4
Type of Fee <sup>(1)</sup>	Amount <sup>(2)</sup>	Due Date	Remarks
Cooperative Contributions <sup>(5)</sup>	Up to 2% of Shop's monthly Gross Sales	As specified	Item 11 discusses Cooperatives. We have not yet formed any Cooperatives and do not yet require Cooperative expenditures.  Footnotes 5 and 6 below and Item 11 describe your local advertising obligations.  Your total Brand Fund contribution, Local Marketing Spending Requirement, and Cooperative expenditures will not exceed 5% of your Shop's Gross Sales.
Successor Franchise Fee	\$5,000	When you sign successor franchise agreement (if you have that right)	
Transfer of Franchise Rights or Controlling Ownership Interest in Franchisee	\$5,000 (or \$2,500 if proposed transfer is among your existing owners, immediate family members, or an entity you control)	Upon transfer	
Transfer of Non-Controlling Ownership Interest in Franchisee	\$2,500	Upon transfer	
Ongoing and Supplemental Training and Assistance	Our then-current fee for ongoing and supplemental training (not to exceed \$300 per trainer per day, plus our expenses, if at our location; not to exceed \$500 per trainer per day, plus our expenses, if at your Shop)	As incurred	We have the right to charge you for ongoing and supplemental training.

Column 1	Column 2	Column 3	Column 4
Type of Fee <sup>(1)</sup>	Amount <sup>(2)</sup>	Due Date	Remarks
Retraining of Operator, Shop Manager, or their Replacements	Our then-current retraining fee (not to exceed \$300 per trainer per day, plus our expenses, if at our location; not to exceed \$500 per trainer per day, plus our expenses, if at your Shop)	As incurred	Due if (i) your Operator or Shop manager fails to complete initial training program, (ii) we must train their replacements, or (iii) we determine that retraining is necessary because the Shop is not operating according to Brand Standards.
Annual Meeting / Convention	Will vary under circumstances (not to exceed \$200 per person; does not include your actual out-of-pocket attendance costs paid to third parties)	As incurred	You (or your designated representative we approve) must, at our request, attend our annual franchisee meeting and pay an attendance fee. We will charge this fee even if you do not attend.
Product and Service Purchases	Varies depending on products and services you buy from us or our affiliates	As incurred	<p>During the franchise term, you must buy certain products and services from us or our affiliates, from designated or approved distributors and suppliers, or according to our standards and specifications. If we require you to buy any products or services from us or our affiliates, as described in Item 8, we will give you a price list identifying the applicable costs.</p> <p>If we or one of our affiliates constructs, develops, and begins operating a food production commissary in, or in proximity to, your Shop's market area in order to produce for and supply to, and with the capacity to produce for and supply to, your Shop and other RANDY'S DONUTS Shops in proximity to the food production commissary their entire required inventory of donuts and, if applicable (in our opinion), other core products offered by RANDY'S DONUTS Shops, we have the right to require the Shop to purchase its entire required inventory of donuts and, if applicable, other core products exclusively from the food production commissary.</p>



Column 1	Column 2	Column 3	Column 4
Type of Fee <sup>(1)</sup>	Amount <sup>(2)</sup>	Due Date	Remarks
Online Ordering, Loyalty Program, and Gift-Card Program	Up to \$75 per month	As incurred	This is in addition to payments you make to third parties for these programs or services.
Testing and Evaluation Costs	Projected testing/evaluation costs to be incurred (amount depends on circumstances, including supplier's location, testing required, and item involved)	As incurred	Covers costs of testing new products/services or inspecting new suppliers you propose.
Computer Software and Technology, Support, and Upgrades	Not to exceed \$500 per month (depending on number of users and locations)	As incurred	<p>We and our affiliates may charge you up-front and ongoing (<i>e.g.</i>, weekly, monthly, or other) fees for proprietary software or technology licensed to you and related support services; the fee may increase as costs increase. We currently do not charge this fee.</p> <p>We do not now provide these services and therefore do not have a set charge; we have the right to charge you if we provide these services at a later time and will notify you when we establish the charge.</p>
Franchise System Website/Intranet	Up to \$100 per month	As incurred	Brand Fund may pay for creating, developing, maintaining, and operating a Franchise System Website and Intranet; we have the right to require you to pay a separate fee if (or to the extent) Brand Fund does not cover these costs. We currently do not charge this separate fee.
Relocation	Not to exceed \$5,000 plus reasonable costs we incur	As incurred	Due only if you relocate Shop.

Column 1	Column 2	Column 3	Column 4
Type of Fee <sup>(1)</sup>	Amount <sup>(2)</sup>	Due Date	Remarks
Audit	Cost of inspection or audit, including legal fees and independent accountants' fees, plus travel expenses, room and board, and compensation of our employees (amount depends on nature and extent of your non-compliance)	As incurred	Due if you fail to submit required reports and records or our examination reveals Gross Sales understatement exceeding 2%.
Inspection Fee	Actual costs of first follow-up audit (including our personnel's wages and travel, hotel, and living expenses)  \$2,500, plus our personnel's travel-related expenses, for the second and each follow-up evaluation we make and for each inspection you specifically request	As incurred	Compensates our costs and expenses for each follow-up inspection to confirm your compliance with Franchise Agreement and Brand Standards.
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	When invoiced	Due on past due amounts.
Administrative Fee	\$100	When invoiced	Due for each late or dishonored payment.
Non-Compliance Fee	\$250 per violation	When billed	Due if you deviate from contractual requirement, including Brand Standard. This compensates us for administrative and management costs, not for our damages due to your default.

Column 1	Column 2	Column 3	Column 4
Type of Fee <sup>(1)</sup>	Amount <sup>(2)</sup>	Due Date	Remarks
Costs and Attorneys' Fees	Varies under circumstances and depends on nature of your non-compliance	As incurred	Due when you do not comply with Franchise Agreement or Development Rights Agreement.
Indemnification	Varies under circumstances and depends on nature of third-party claim	As incurred	You must reimburse us for all claims and losses arising out of (i) Shop's construction, design, or operation, (ii) the business you conduct under Franchise Agreement, (iii) your non-compliance or alleged non-compliance with any law, (iv) a data security incident, or (v) your breach of Franchise Agreement.  You have the same indemnification obligations under the Development Rights Agreement.
Management Fee	Up to 10% of Gross Sales, plus any out-of-pocket expenses incurred in connection with Shop's management	As incurred	Due if we assume Shop's management in certain situations, including your default.
Reimbursement of Costs for Third-Party Service Providers	Out-of-pocket cost reimbursement	As incurred	If we determine for convenience, or because of the service provider's billing requirements, to pay for Shop-level quality-assurance, food-safety-audit, guest-satisfaction, "mystery-shop," consumer-survey, and similar programs (rather than having you pay the service provider directly), you must reimburse our actual costs for those service providers.
Reimbursement for Customer Complaints	Cost reimbursement	As incurred	We have the right to require you to reimburse our costs if we resolve a customer complaint because you fail to do so.
Tax Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us for taxes we must pay any state taxing authority on account of either your operation or your payments to us (except for our income taxes).
Insurance Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse our costs if we obtain insurance coverage for Shop because you fail to do so.

Column 1	Column 2	Column 3	Column 4
Type of Fee <sup>(1)</sup>	Amount <sup>(2)</sup>	Due Date	Remarks
Deficiency Correction Fee	Out-of-pocket cost reimbursement	As incurred	You must reimburse our costs if we correct a Shop deficiency because you fail to do so when required.
De-Identification Fee	Cost reimbursement	As incurred	You must reimburse our costs of de-identifying your Shop if you fail to do so.
Training Cancellation Fees	\$300 to \$400 per trainer per day	As incurred	If you cancel training attendance after scheduling to participate.

Notes:

1. Except as noted above and except for certain product and service purchases from unaffiliated suppliers, all fees are imposed and collected by and payable to us or an affiliate. We and our affiliates currently do not impose any fees or payments on, or collect any fees or payments from, you on behalf of unaffiliated third parties. No fee in this chart is refundable. All fees represent our current offering and generally are uniformly imposed.
2. We reserve the right to increase any fixed fee, fixed payment, or fixed amount (i.e., not stated as a percentage) under the Franchise Agreement based on changes in the Index (defined below) (“Annual Increase”). An Annual Increase may occur only once per calendar year and may not exceed the corresponding cumulative increase in the Index since the Franchise Agreement’s effective date or, as the case may be, since the date on which the last Annual Increase became effective for the particular fixed fee, payment, or amount being increased. Any and all Annual Increases will be made at the same time during the calendar year. “Index” refers to the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for all Items (1982 – 1984 = 100), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics, or in a successor index. We also reserve the right, if any fixed fee, payment, or amount due from you under the Franchise Agreement encompasses any third-party charges we collect from you on a pass-through basis (i.e., for ultimate payment to the third party), to increase the fixed fee, payment, or amount beyond the Annual Increase to reflect increases in the third party’s charges to us.
3. “Gross Sales” means the aggregate amount of all revenue and other consideration generated from any source, including from selling products, services, and merchandise (including delivery charges paid for deliveries made by the Shop’s employed staff); other types of revenue you receive, including the proceeds of business interruption insurance; and (if we allow barter) the value of products, services, and merchandise bartered in exchange for the Shop’s products, services, or merchandise.

Gross Sales are not reduced by the amount paid to, collected by, or shared with third-party food-ordering and delivery systems with which we allow the Shop to do business. All transactions must be entered into the Computer System at the full retail price for

purposes of calculating Gross Sales. However, Gross Sales exclude: (i) federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; (ii) proceeds from insurance, excluding business interruption insurance; and (iii) proceeds from any civil forfeiture, condemnation, or seizure by government entities. In addition, Gross Sales are reduced by the value of both employee discounts and permitted promotional or marketing discounts offered to the public not exceeding, in the aggregate, 2% of the Shop's weekly Gross Sales and the amount of any credits provided in compliance with our policies. Each charge or credit sale will be treated as a sale for the full price on the day the charge or sale is made, regardless of when you receive payment (whether full or partial, or at all) on that sale.

Revenue from gift/loyalty/stored-value cards and similar items we approve for offer and sale at RANDY'S DONUTS Shops is included in Gross Sales when the card or other item is used to pay for products and services (although we have the right to collect our fees due on that revenue when the card or other item is sold). Your Shop may not issue or redeem any gift certificates, coupons, or gift/loyalty/stored-value or similar cards unless we first approve in writing their form and content and your proposed issuing and honoring/redemption procedures. We have the right to grant or withhold our approval as we deem best. We have no obligation to reimburse you for any costs you incur in participating in our gift/loyalty/stored-value card and other customer loyalty programs, including for providing services or products to customers without compensation.

We have the right to modify our policies and practices regarding revenue recognition, revenue reporting, and including or excluding certain revenue from "Gross Sales" as circumstances, business practices, and technology change.

4. Each calendar week currently begins on Monday and ends on Sunday, although we have the right to change the first and last days of each calendar week for Royalty (and other payment) calculation purposes. You must authorize us to debit your business checking or other account automatically for the Royalty, Brand Fund contribution, and other amounts due under the Franchise Agreement or otherwise. We will debit your account on or before the payment due date for the Royalty, Brand Fund contribution, and other amounts due. Funds must be available in the account for withdrawal. We have the right to require you to have a specific amount of overdraft protection for your bank account. You must reimburse any "insufficient funds" charges and related expenses we incur due to your failure to maintain sufficient funds in your bank account.

If you fail to report the Shop's Gross Sales when required, we have the right to debit your account for 125% of the Royalty and Brand Fund contribution we debited for the previous payment period. If the amount we debit is less than the amount you actually owe us (once we determine the Shop's actual Gross Sales), we will debit your account for the balance due on the day we specify. If the amount we debit is greater than the amount you actually owe us (once we determine the Shop's actual Gross Sales), we will credit the excess, without interest, against the amount we have the right to debit for the following payment period.

5. We have the right to designate a geographic area for an advertising cooperative (a “Cooperative”). The Cooperative’s members in any area are the owners of RANDY’S DONUTS Shops located and operating in that area (including us and our affiliates, if applicable). We have the right to require you to contribute up to 2% of the Shop’s monthly Gross Sales to the Cooperative. One-half of your Cooperative dues count toward your Local Marketing Spending Requirement for the Shop but not toward your initial public relations and market introduction program or required Brand Fund contributions.
  
6. You must spend up to 2% of the Shop’s monthly Gross Sales on Marketing Materials (defined in Item 8) and advertising, marketing, and promotional programs for the Shop (the “Local Marketing Spending Requirement”). We will credit one-half of your Cooperative contributions toward the Local Marketing Spending Requirement. However, we do not count the initial public relations and market introduction program or Brand Fund contributions toward this minimum obligation. We have the right to review your books and records and have you send us reports to determine your advertising, marketing, and promotion expenses. If you fail to spend (or prove that you spent) the Local Marketing Spending Requirement, we have the right to require you to contribute the shortfall to the Brand Fund. Your total Brand Fund contribution, Local Marketing Spending Requirement, and Cooperative expenditures will not exceed 5% of your Shop’s Gross Sales. We have the right to adjust the percentages among the various required expenditures throughout the franchise term (subject to the cap for each described in the table).

**Item 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**(For In-Line (Non-Drive-Thru) Location)**

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
Initial Franchise Fee <sup>(1)</sup>	\$35,000	Lump sum	When you sign Franchise Agreement and (if applicable) Development Rights Agreement	Us
One Month’s Rent <sup>(2)</sup>	\$4,000 – \$9,000	As agreed	As incurred	Landlord
One Month’s Security Deposit <sup>(2)</sup>	\$4,000 – \$9,000	As agreed	As incurred	Landlord
Architect Fee	\$30,000 – \$35,000	Lump sum	As incurred	Architect

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Construction / Leasehold Improvements <sup>(3)</sup>	\$350,000 – \$400,000	As incurred	As incurred	Contractors
Furniture, Fixtures, and Equipment <sup>(4)</sup>	\$100,000 – \$125,000	Lump sum	As incurred	Third-Party Suppliers
Surveillance System	\$4,000 – \$6,000	As incurred	As incurred	Third-Party Suppliers
Signage <sup>(4)</sup>	\$10,000 – \$15,000	As incurred	As incurred	Third-Party Suppliers
Opening Inventory and Supplies	\$7,500 – \$12,000	Lump sum	Before opening	Third-Party Suppliers
Point-of-Sale and Computer Systems <sup>(5)</sup>	\$11,000 – \$13,000	Lump sum	As incurred	Third-Party Suppliers
Market Introduction Program <sup>(6)</sup>	\$10,000	Lump sum	As incurred	Marketing/ Advertising Sources or Us
Training Expenses <sup>(7)</sup>	\$10,000 – \$15,000	Out of pocket travel-related expenses, as incurred	During training	Third-Party Suppliers
Travel-Related Expense Reimbursement for On-Site Opening Assistance	\$5,000 – \$10,000	As incurred	As incurred	Insurance Broker
Insurance (Annual) <sup>(8)</sup>	\$5,000 – \$7,500	As incurred	As incurred	Insurance Broker
Professional Fees	\$2,500 – \$7,500	As incurred	As incurred	Third-Party Advisors
Business Licenses and Permits	\$3,000 – \$5,000	As incurred	As incurred	Government Agencies
Miscellaneous Opening Costs <sup>(9)</sup>	\$10,000 – \$20,000	As incurred	As incurred	Third-Party Vendors
Additional funds – 3 months <sup>(10)</sup>	\$30,000 – \$50,000	As incurred	As incurred	Employees, Suppliers, and Other Third Parties

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
TOTAL ESTIMATED INITIAL INVESTMENT (including real estate costs) <sup>(11)</sup>	\$631,000 – \$784,000			

- Except for security and utility deposits, no expenditure in the table is refundable (deposit refundability depends on landlord’s and utility’s practices).

Notes:

1. We describe the initial franchise and development fees in Item 5. No separate initial investment is required when you sign the DRA, although you of course must build the first RANDY’S DONUTS Shop at a cost estimated to range as described in the chart above. Therefore, the total estimated initial investment to begin operation if you commit to develop a minimum of 2 RANDY’S DONUTS Shops, at least one of which will be an In-Line (Non-Drive-Thru) location, is \$643,500 to \$796,500.
2. A traditional In-Line (Non-Drive-Thru) RANDY’S DONUTS Shop occupies approximately 1,200 square feet of leased space in a strip shopping center. The preferred trade area is a mix of residences and daytime businesses. The site should be close to daytime traffic drivers (for example, dense urban office neighborhoods, suburban office parks or corporate campuses, and large entertainment, hospital, or transportation complexes). Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors. Rents vary from market to market and likely will be higher in large metropolitan areas than in suburban markets and smaller metropolitan areas. Your landlord likely will require you to pay a security deposit equal to 1 month’s rent or more. Your lease negotiations with your landlord and the Shop’s size and market area will determine when your lease payments will begin. The initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Shop. Because a traditional In-Line (Non-Drive-Thru) RANDY’S DONUTS Shop is a baking location, you would not need a Commissary Production Facility (described below).
3. The estimate includes amounts for construction, remodeling, fixed assets, leasehold improvements, and decorating costs. This figure is based on our expectation that you will lease the Shop’s site from the landlord in good condition (a “Vanilla Box”). “Vanilla Box” refers to a commercial building with a minimally-finished interior, i.e., usually with ceilings, lighting, plumbing, heating and cooling (HVAC), interior walls (painted or unpainted), electrical outlets, rest rooms, and a concrete floor. We expect the Vanilla Box to have certain specifications detailed in the Operations Manual. This estimate covers both materials and labor. Leasehold improvement costs—which could include floor and



window covering, wall treatment, counters, ceilings, painting, grease trap, venting, electrical, carpentry, and similar work, and contractor's fees—depend on the site's condition, location, and size; the demand for the site among prospective lessees; the site's previous use; the build-out required to conform the site for your Shop; and any construction or other allowances the landlord grants. Your costs might be more or less than this estimate based on where you plan to operate your Shop and the amount of tenant improvements provided by the landlord. This estimate assumes tenant-improvements reimbursement of approximately \$30,000 to \$42,000 (roughly \$25 to \$35 per square foot).

The estimated costs in this line-item currently reflect an approximately 15% to 20% increase in the most recent historical costs for these items/services due to the COVID-19 pandemic's impact on the supply chain for manufacturing, equipment, and supplies.

4. This includes outdoor signage and interior signage and displays, refrigerators, ovens, freezers, preparation tables, chairs, booths, and other items listed in our Operations Manual or equipment and small-wares listings (sales taxes and shipping costs are included). (This estimate does not include signage costs incurred when it is possible to build a scaled-down replica of the iconic giant RANDY'S donut.)

This estimate also includes your equipment and other costs to offer coffee-related beverages. You must sell coffee-related beverages to the extent your lease does not restrict that activity. We have the right to pre-approve the beverages and how and where in the Shop you intend to prepare them. We require you to offer particular brands of coffee-related beverages. We estimate the equipment, small wares, and initial inventory cost for a coffee program to range from \$1,000 to \$20,000 (plus tax and shipping) depending on your choice of coffee equipment (brewer, grinder, espresso machine, and blender) and the supplier. None of this equipment cost is paid to us (but you do pay us a Royalty and Brand Fund contribution on your revenue from coffee sales). You also might have additional plumbing and electrical costs.

This estimate assumes that you can purchase a used 60-80 quart Hobart Mixer that Hobart will service for approximately \$8,000 as opposed to a new 60-80 quart Hobart mixer for over \$25,000.

The estimated costs in this line-item currently reflect an approximately 15% to 20% increase in the most recent historical costs for these items/services due to the COVID-19 pandemic's impact on the supply chain for manufacturing, equipment, and supplies.

5. We describe the required point-of-sale/computer system in Item 11. This estimate includes initial Payment Card Industry (PCI) Data Security Standard compliance costs, sales taxes, and shipping costs.
6. You must spend at least this amount for an initial public relations and market introduction program for your Shop, which we will help you develop. You must send us your proposed public relations and market introduction program—showing how you intend to spend this money—at least 45 days before its planned rollout date.

7. This estimates the cost for 5 people (your Operator, one on-site Shop manager, and 3 bakers) to attend our required initial training program. Although we do not charge tuition, you must pay all attendance costs, which depend on point of origin, method of travel, class of accommodations, and living expenses (food, transportation, etc.). This estimate does not include wages and assumes double or triple occupancy for accommodations and economy flights.
8. You must obtain and maintain certain types and amounts of insurance coverage. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross sales, number of employees, square footage, location, business contents, and other factors affecting risk exposure. The estimate contemplates insurance costs for 12 months but excludes workers' compensation insurance. You should check with your insurance agent regarding additional insurance you might wish to obtain above our stated minimums. Item 8 describes our current insurance policy requirements.
9. This covers unanticipated site-specific issues and geographical variances in prices.
10. This line-item estimates the funds needed to cover your other pre-opening expenses as well as initial start-up expenses during the first 3 months of operation (other than the items identified separately in the table). These include labor, supplies, rent, and utilities. These expenses do not include any draw or salary for you. We relied on our affiliate's RANDY'S DONUTS Shop development and operating experience since 2017 and costs incurred by similar restaurant-type operations to compile this Additional Funds estimate.
11. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. Availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each Shop established at an In-Line (Non-Drive-Thru) location under a DRA.

## YOUR ESTIMATED INITIAL INVESTMENT

### (Drive-Thru Location)

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
Initial Franchise Fee <sup>(1)</sup>	\$35,000	Lump sum	When you sign Franchise Agreement and (if applicable) Development Rights Agreement	Us
One Month's Rent <sup>(2)</sup>	\$7,000 – \$15,000	As agreed	As incurred	Landlord

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
One Month's Security Deposit <sup>(2)</sup>	\$7,000 – \$15,000	As agreed	As incurred	Landlord
Architect Fee	\$30,000 – \$45,000	Lump sum	As incurred	Architect
Construction / Leasehold Improvements <sup>(3)</sup>	\$725,000 – \$800,000	As incurred	As incurred	Contractors
Furniture, Fixtures, and Equipment <sup>(4)</sup>	\$115,000 – \$135,000	Lump sum	As incurred	Third-Party Suppliers
Surveillance System	\$5,000 – \$7,000	As incurred	As incurred	Third-Party Suppliers
Signage <sup>(4)</sup>	\$10,000 – \$20,000	As incurred	As incurred	Third-Party Suppliers
Opening Inventory and Supplies	\$7,500 – \$12,000	Lump sum	Before opening	Third-Party Suppliers
Point-of-Sale and Computer Systems <sup>(5)</sup>	\$11,000 – \$13,000	Lump sum	As incurred	Third-Party Suppliers
Market Introduction Program <sup>(6)</sup>	\$10,000	Lump sum	As incurred	Marketing/ Advertising Sources or Us
Training Expenses <sup>(7)</sup>	\$10,000 – \$15,000	Out of pocket travel-related expenses, as incurred	During training	Third-Party Suppliers
Travel-Related Expense Reimbursement for On-Site Opening Assistance	\$5,000 – \$10,000	As incurred	As incurred	Insurance Broker
Insurance (Annual) <sup>(8)</sup>	\$5,000 – \$7,500	As incurred	As incurred	Insurance Broker
Professional Fees	\$2,500 – \$7,500	As incurred	As incurred	Third-Party Advisors
Business Licenses and Permits	\$3,000 – \$5,000	As incurred	As incurred	Government Agencies
Miscellaneous Opening Costs <sup>(9)</sup>	\$10,000 – \$20,000	As incurred	As incurred	Third-Party Vendors

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Additional funds – 3 months <sup>(10)</sup>	\$30,000 – \$50,000	As incurred	As incurred	Employees, Suppliers, and Other Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (including real estate costs) <sup>(11)</sup>	\$1,028,000 – \$1,222,000			

- Except for security and utility deposits, no expenditure in the table is refundable (deposit refundability depends on landlord’s and utility’s practices).

Notes:

1. We describe the initial franchise and development fees in Item 5. No separate initial investment is required when you sign the DRA, although you of course must build the first RANDY’S DONUTS Shop at a cost estimated to range as described in the chart above. Therefore, the total estimated initial investment to begin operation if you commit to develop a minimum of 2 RANDY’S DONUTS Shops, at least one of which will be a Drive-Thru location, is \$1,040,500 to \$1,234,500.
2. A traditional Drive-Thru RANDY’S DONUTS Shop occupies approximately 1,500 square feet of leased space in a free-standing or end-cap drive-thru position. The preferred trade area is a mix of residences and daytime businesses. The site should be close to daytime traffic drivers (for example, dense urban office neighborhoods, suburban office parks or corporate campuses, and large entertainment, hospital, or transportation complexes). Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors. Rents vary from market to market and likely will be higher in large metropolitan areas than in suburban markets and smaller metropolitan areas. Your landlord likely will require you to pay a security deposit equal to 1 month’s rent or more. Your lease negotiations with your landlord and the Shop’s size and market area will determine when your lease payments will begin. The initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Shop. Because a traditional Drive-Thru RANDY’S DONUTS Shop is a baking location, you would not need a Commissary Production Facility (described below).
3. The estimate includes amounts for construction, remodeling, fixed assets, leasehold improvements, and decorating costs. This figure is based on our expectation that you will lease the Shop’s site from the landlord in good condition (a “Vanilla Box”). “Vanilla Box” refers to a commercial building with a minimally-finished interior, i.e., usually with

ceilings, lighting, plumbing, heating and cooling (HVAC), interior walls (painted or unpainted), electrical outlets, rest rooms, and a concrete floor. We expect the Vanilla Box to have certain specifications detailed in the Operations Manual. This estimate covers both materials and labor. Leasehold improvement costs—which could include floor and window covering, wall treatment, counters, ceilings, painting, grease trap, venting, electrical, carpentry, and similar work, and contractor’s fees—depend on the site’s condition, location, and size; the demand for the site among prospective lessees; the site’s previous use; the build-out required to conform the site for your Shop; and any construction or other allowances the landlord grants. This cost does not include off-site premises work or utility connections that might be necessary depending on the specific location. Your costs might be more or less than this estimate based on where you plan to operate your Shop and the amount of tenant improvements provided by the landlord. This estimate assumes tenant improvements reimbursement of approximately \$52,500 to \$60,000 (roughly \$35 to \$40 per square foot). This estimate does not include a “ground-up” construction where the franchisee must do off-site and below-grade construction.

4. This includes outdoor signage and interior signage and displays, refrigerators, ovens, freezers, preparation tables, chairs, booths, and other items listed in our Operations Manual or equipment and small-wares listings (sales taxes and shipping costs are included). (This estimate does not include signage costs incurred when it is possible to build a scaled-down replica of the iconic giant RANDY’S donut.)

This estimate also includes your equipment and other costs to offer coffee-related beverages. You must sell coffee-related beverages to the extent your lease does not restrict that activity. We have the right to pre-approve the beverages and how and where in the Shop you intend to prepare them. We require you to offer particular brands of coffee-related beverages. We estimate the equipment, small wares, and initial inventory cost for a coffee program to range from \$1,000 to \$20,000 (plus tax and shipping) depending on your choice of coffee equipment (brewer, grinder, espresso machine, and blender) and the supplier. None of this equipment cost is paid to us (but you do pay us a Royalty and Brand Fund contribution on your revenue from coffee sales). You also might have additional plumbing and electrical costs.

This estimate also includes your drive-thru menu board and ordering system (including headsets, posts, and all parts).

This estimate assumes that you can purchase a used 60-80 quart Hobart Mixer that Hobart will service for approximately \$8,000 as opposed to a new 60-80 quart Hobart mixer for over \$25,000.

The estimated costs in this line-item currently reflect an approximately 15% to 20% increase in the most recent historical costs for these items/services due to the COVID-19 pandemic’s impact on the supply chain for manufacturing, equipment, and supplies.

5. We describe the required point-of-sale/computer system in Item 11. This estimate includes initial Payment Card Industry (PCI) Data Security Standard compliance costs, sales taxes, and shipping costs.

6. You must spend at least this amount for an initial public relations and market introduction program for your Shop, which we will help you develop. You must send us your proposed public relations and market introduction program—showing how you intend to spend this money—at least 45 days before its planned rollout date.
7. This estimates the cost for 5 people (your Operator, one on-site Shop manager, and 3 bakers) to attend our required initial training program. Although we do not charge tuition, you must pay all attendance costs, which depend on point of origin, method of travel, class of accommodations, and living expenses (food, transportation, etc.). This estimate does not include wages and assumes double or triple occupancy for accommodations and economy flights.
8. You must obtain and maintain certain types and amounts of insurance coverage. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross sales, number of employees, square footage, location, business contents, and other factors affecting risk exposure. The estimate contemplates insurance costs for 12 months but excludes workers' compensation insurance. You should check with your insurance agent regarding additional insurance you might wish to obtain above our stated minimums. Item 8 describes our current insurance policy requirements.
9. This covers unanticipated site-specific issues and geographical variances in prices.
10. This line-item estimates the funds needed to cover your other pre-opening expenses as well as initial start-up expenses during the first 3 months of operation (other than the items identified separately in the table). These include labor, supplies, rent, and utilities. These expenses do not include any draw or salary for you. We relied on our affiliate's RANDY'S DONUTS Shop development and operating experience since 2017 and costs incurred by similar restaurant-type operations to compile this Additional Funds estimate.
11. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. Availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each Shop established at a Drive-Thru location under a DRA.

*[Remainder of page is intentionally left blank]*

## YOUR ESTIMATED INITIAL INVESTMENT

### (Kiosk (Non-Baking) Location\*)

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
Initial Franchise Fee <sup>(1)</sup>	\$35,000	Lump sum	When you sign Franchise Agreement and (if applicable) Development Rights Agreement	Us
One Month's Rent <sup>(2)</sup>	\$3,000 – \$7,000	As agreed	As incurred	Landlord
One Month's Security Deposit <sup>(2)</sup>	\$3,000 – \$7,000	As agreed	As incurred	Landlord
Architect Fee	\$20,000 – \$25,000	Lump sum	As incurred	Architect
Construction / Leasehold Improvements <sup>(3)</sup>	\$90,000 – \$100,000	As incurred	As incurred	Contractors
Furniture, Fixtures, and Equipment <sup>(4)</sup>	\$45,000 – \$55,000	Lump sum	As incurred	Third-Party Suppliers
Surveillance System	\$3,000 – \$5,000	As incurred	As incurred	Third-Party Suppliers
Signage <sup>(4)</sup>	\$4,000 – \$10,000	As incurred	As incurred	Third-Party Suppliers
Opening Inventory and Supplies	\$7,500 – \$12,000	Lump sum	Before opening	Third-Party Suppliers
Point-of-Sale and Computer Systems <sup>(5)</sup>	\$11,000 – \$13,000	Lump sum	As incurred	Third-Party Suppliers
Market Introduction Program <sup>(6)</sup>	\$10,000	Lump sum	As incurred	Marketing/ Advertising Sources or Us
Training Expenses <sup>(7)</sup>	\$10,000 – \$15,000	Out of pocket travel-related expenses, as incurred	During training	Third-Party Suppliers
Travel-Related Expense Reimbursement for On-Site Opening Assistance	\$5,000 – \$10,000	As incurred	As incurred	Insurance Broker

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Insurance (Annual) <sup>(8)</sup>	\$5,000 – \$7,500	As incurred	As incurred	Insurance Broker
Professional Fees	\$2,500 – \$7,500	As incurred	As incurred	Third-Party Advisors
Business Licenses and Permits	\$3,000 – \$5,000	As incurred	As incurred	Government Agencies
Miscellaneous Opening Costs <sup>(9)</sup>	\$10,000 – \$20,000	As incurred	As incurred	Third-Party Vendors
Additional funds – 3 months <sup>(10)</sup>	\$30,000 – \$50,000	As incurred	As incurred	Employees, Suppliers, and Other Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (including real estate costs) <sup>(11)</sup>	\$297,000 – \$394,000			

\*Because kiosk locations are non-baking locations, you must have a facility at which to produce the donuts (and other items) for sale at the kiosk. The primary facility options are the in-line or drive-thru locations described in the first two tables of this Item 7 (if the kiosk is your second or subsequent RANDY’S DONUTS Shop). However, if you do not already have, or do not want to invest in, an in-line or a drive-thru location, you can choose to produce donuts in a separate commissary location (not for sale to the public) specifically for your kiosk location. The incremental investment for a separate commissary production facility (when you do not have an in-line or drive-thru location to produce items to supply the kiosk location) appears below.

- Except for security and utility deposits, no expenditure in the tables is refundable (deposit refundability depends on landlord’s and utility’s practices).

Notes:

1. We describe the initial franchise and development fees in Item 5. No separate initial investment is required when you sign the DRA, although you of course must build the first RANDY’S DONUTS Shop at a cost estimated to range as described in the chart above. The total estimated initial investment to begin operation if you commit to develop a minimum of 2 RANDY’S DONUTS Shops, both of which are Kiosk (Non-Baking) locations, in which case you also would need to construct and develop a Commissary Production Facility, is \$309,500 to \$406,500.



2. A traditional Kiosk (Non-Baking) RANDY'S DONUTS Shop occupies approximately 250 to 300 square feet of leased space in a strip shopping center. The preferred trade area is a mix of residences and daytime businesses. The site should be close to daytime traffic drivers (for example, dense urban office neighborhoods, suburban office parks or corporate campuses, and large entertainment, hospital, or transportation complexes). Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors. Rents vary from market to market and likely will be higher in large metropolitan areas than in suburban markets and smaller metropolitan areas. Your landlord likely will require you to pay a security deposit equal to 1 month's rent or more. Your lease negotiations with your landlord and the Shop's size and market area will determine when your lease payments will begin. The initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Shop.
3. The estimate includes amounts for construction, remodeling, fixed assets, leasehold improvements, and decorating costs. This figure is based on our expectation that you will lease the Shop's site from the landlord in good condition (a "Vanilla Box"). "Vanilla Box" refers to a commercial building with a minimally-finished interior, i.e., usually with ceilings, lighting, plumbing, heating and cooling (HVAC), interior walls (painted or unpainted), electrical outlets, rest rooms, and a concrete floor. We expect the Vanilla Box to have certain specifications detailed in the Operations Manual. This estimate covers both materials and labor. Leasehold improvement costs—which could include floor and window covering, wall treatment, counters, ceilings, painting, grease trap, venting, electrical, carpentry, and similar work, and contractor's fees—depend on the site's condition, location, and size; the demand for the site among prospective lessees; the site's previous use; the build-out required to conform the site for your Shop; and any construction or other allowances the landlord grants. Your costs might be more or less than this estimate based on where you plan to operate your Shop and the amount of tenant improvements provided by the landlord. This estimate assumes tenant improvements reimbursement of approximately \$5,000 to \$9,000 (roughly \$20 to \$30 per square foot).
4. This includes outdoor signage and interior signage and displays, refrigerators, chairs, booths, and other items listed in our Operations Manual (sales taxes and shipping costs are included). (This estimate does not include signage costs incurred when it is possible to build a scaled-down replica of the iconic giant RANDY'S donut.)

This estimate also includes your equipment and other costs to offer coffee-related beverages. You must sell coffee-related beverages to the extent your lease does not restrict that activity. We have the right to pre-approve the beverages and how and where in the Shop you intend to prepare them. We currently require you to offer particular brands of coffee-related beverages. We estimate the equipment, small wares, and initial inventory cost for a coffee program to range from \$1,000 to \$20,000 (plus tax and shipping) depending on your choice of coffee equipment (brewer, grinder, espresso machine, and blender) and the supplier. None of this equipment cost is paid to us (but you do pay us a Royalty and Brand Fund contribution on your revenue from coffee sales). You also might have additional plumbing and electrical costs.

5. We describe the required point-of-sale/computer system in Item 11. This estimate includes initial Payment Card Industry (PCI) Data Security Standard compliance costs, sales taxes, and shipping costs.
6. You must spend at least this amount for an initial public relations and market introduction program for your Shop, which we will help you develop. You must send us your proposed public relations and market introduction program—showing how you intend to spend this money—at least 45 days before its planned rollout date.
7. This estimates the cost for 5 people (your Operator, one on-site Shop manager, and 3 bakers) to attend our required initial training program. Although we do not charge tuition, you must pay all attendance costs, which depend on point of origin, method of travel, class of accommodations, and living expenses (food, transportation, etc.). This estimate does not include wages and assumes double or triple occupancy for accommodations and economy flights.
8. You must obtain and maintain certain types and amounts of insurance coverage. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross sales, number of employees, square footage, location, business contents, and other factors affecting risk exposure. The estimate contemplates insurance costs for 12 months but excludes workers' compensation insurance. You should check with your insurance agent regarding additional insurance you might wish to obtain above our stated minimums. Item 8 describes our current insurance policy requirements.
9. This covers unanticipated site-specific issues and geographical variances in prices.
10. This line-item estimates the funds needed to cover your other pre-opening expenses as well as initial start-up expenses during the first 3 months of operation (other than the items identified separately in the table). These include labor, supplies, rent, and utilities. These expenses do not include any draw or salary for you. We relied on our affiliate's RANDY'S DONUTS Shop development and operating experience since 2017 and costs incurred by similar restaurant-type operations to compile this Additional Funds estimate.
11. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. Availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each Shop established at a Kiosk (Non-Baking) location under a DRA and, if applicable, for each Commissary Production Facility you develop.

## YOUR ESTIMATED INITIAL INVESTMENT

### (Commissary Production Facility)

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
One Month's Rent <sup>(1)</sup>	\$1,500 – \$2,000	As agreed	As incurred	Landlord
One Month's Security Deposit <sup>(1)</sup>	\$1,500 – \$2,000	As agreed	As incurred	Landlord
Architect Fee	\$30,000 – \$35,000	Lump sum	As incurred	Architect
Construction / Leasehold Improvements <sup>(2)</sup>	\$225,000 – \$275,000	As incurred	As incurred	Contractors
Furniture, Fixtures, and Equipment <sup>(3)</sup>	\$125,000 – \$140,000	Lump sum	As incurred	Third-Party Suppliers
Surveillance System	\$3,000 – \$5,000	Lump sum	As incurred	Third-Party Suppliers
Training Expenses <sup>(4)</sup>	\$10,000 – \$15,000	Out of pocket travel-related expenses, as incurred	During training	Third-Party Suppliers
Insurance (Annual) <sup>(5)</sup>	\$1,000 – \$2,000	As incurred	As incurred	Insurance Broker
Business Licenses and Permits	\$3,000 – \$5,000	As incurred	As incurred	Government Agencies
<b>TOTAL ESTIMATED INITIAL INVESTMENT (including real estate costs)<sup>(6)</sup></b>	<b>\$400,000 – \$481,000</b>			

- Except for security and utility deposits, no expenditure in the tables is refundable (deposit refundability depends on landlord's and utility's practices).
- The estimated initial investment for a Commissary Production Facility is based on setting up a facility with a hood and HVAC system capable of frying donuts for multiple Shops (up to 10) but initially has the equipment needed for only a single in-line Shop. We estimate that the incremental cost to expand the commissary's production capacity for additional Shops is \$40,000 to \$50,000 for each set of 2 additional Shops (2 additional fryers, one additional baking table, one proofer, racks, icers, and glazers). [These additional expenses would be incurred concurrently with opening additional Shops.]

## Notes:

1. Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors. A commissary facility requires approximately 1,500 square feet. Rent is estimated at a rental rate of \$1 per square foot for an industrial or warehouse facility that does not have a retail sales component. Rents vary from market to market and likely will be higher in large metropolitan areas than in suburban markets and smaller metropolitan areas. Your landlord likely will require you to pay a security deposit equal to 1 month's rent or more. Your lease negotiations with your landlord and the size and market area will determine when your lease payments will begin. The initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Shop.
2. The estimate includes amounts for construction, remodeling, fixed assets, and leasehold improvements. This figure is based on our expectation that you will lease the site from the landlord in good condition (a "Vanilla Box"). "Vanilla Box" refers to a commercial building with a minimally-finished interior, i.e., usually with ceilings, lighting, plumbing, heating and cooling (HVAC), interior walls (painted or unpainted), electrical outlets, rest rooms, and a concrete floor. We expect the Vanilla Box to have certain specifications detailed in the Operations Manual. This estimate covers both materials and labor. Leasehold improvement costs—which could include floor covering, ceilings, painting, grease trap, venting, electrical, carpentry, and similar work, and contractor's fees—depend on the site's condition, location, and size; the demand for the site among prospective lessees; the site's previous use; the build-out required to conform the site for your commissary; and any construction or other allowances the landlord grants. Your costs might be more or less than this estimate based on where you plan to operate your Shop and the amount of tenant improvements provided by the landlord. This estimate assumes no tenant improvements reimbursed by landlord.
3. This includes refrigeration, ovens, freezers, baking table, preparation tables, proofer, fryer, mixer, icer, glazing table, donut racks, sinks, and baking small-wares. This estimate assumes that you can purchase a used 60-80 quart Hobart Mixer that Hobart will service for approximately \$8,000 as opposed to a new 60-80 quart Hobart mixer for over \$25,000.

The estimated costs in this line-item currently reflect an approximately 25% to 33% increase in the most recent historical costs for these items/services due to the COVID-19 pandemic's impact on the supply chain for manufacturing, equipment, and supplies.

4. This estimates the cost for 5 people (your Operator, one on-site Shop manager, and 3 bakers) to attend our required initial training program. Although we do not charge tuition, you must pay all attendance costs, which depend on point of origin, method of travel, class of accommodations, and living expenses (food, transportation, etc.). This estimate does not include wages and assumes double or triple occupancy for accommodations and economy flights.

5. You must obtain and maintain certain types and amounts of insurance coverage. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, square footage, location, business contents, and other factors affecting risk exposure. The estimate contemplates insurance costs for 12 months but excludes workers' compensation insurance. You should check with your insurance agent regarding additional insurance you might wish to obtain above our stated minimums. Item 8 describes our current insurance policy requirements.
6. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. Availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each commissary.

### **Item 8**

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

### **Brand Standards and Designated and Approved Suppliers**

You must operate the Shop according to our Brand Standards. Brand Standards may regulate, among other things, types, models, and brands of furniture, fixtures, signs, and equipment (including components of and required software licenses for the Computer System) required for the Shop (collectively, "Operating Assets"); required, authorized, and unauthorized products and services for the Shop; and designated and approved manufacturers, suppliers, and/or distributors of items and services. You must buy or lease all Operating Assets and other products and services you use or sell at the Shop only according to our Brand Standards and, if we require, only from manufacturers, suppliers, and/or distributors we designate or approve (which may include or be limited to us, our affiliates, and/or other restricted sources) at the prices the suppliers choose to charge.

We and our affiliates currently are not approved or designated suppliers of any items except for souvenirs and novelties (for which we are an approved, but not the sole, supplier). You currently must buy the Shop's food ingredients, paper products, operating supplies, baking table, proofer, fryer, icer, donut filler, glazing table, mixer, computer/point-of-sale system, printed marketing/advertising materials, and online ordering, mobile app, and gift/loyalty/stored-value card and similar customer-loyalty program services only from suppliers we designate or approve. No officer of ours owns any interest in any current unaffiliated supplier to the franchise system.

We restrict your sources of items and services in many cases to protect trade secrets and other intellectual property, help assure quality and a reliable supply of products meeting our standards, achieve better purchase and delivery terms, control third-party use of the Marks, and monitor the manufacture, packaging, processing, sale, and delivery of these items. Besides your purchases from designated or approved suppliers, you generally must purchase products and services meeting our minimum standards and specifications.

At least 30 days before using them, you must send us all Marketing Materials we have not prepared or already approved and all approved Marketing Materials that you propose to change in any way. “Marketing Materials” are defined as sample advertising, marketing, promotional, and social-media formats and materials. If we do not approve those materials within 30 days after receiving them, they are deemed to be approved for use. You may not use any Marketing Materials we have not approved or have disapproved. You also will conduct an initial public relations and market introduction program for the Shop that we must pre-approve.

### Shop Development and Remodeling

You must develop the Shop at your expense. We will give you construction guidelines and mandatory and suggested specifications and layouts for a RANDY’S DONUTS Shop (“Plans”), including requirements or recommendations (as applicable) for dimensions, design, interior layout, décor, signage, and Operating Assets. All other decisions regarding the Shop’s development and layout, design, color scheme, finishes, improvements, décor, and Operating Assets are subject to our review and prior written approval. You must ensure that the Shop’s construction and remodeling plans comply with the Americans with Disabilities Act (“ADA”), zoning regulations, environmental laws and regulations, other applicable ordinances, building codes and permit requirements, and lease requirements and restrictions. We have the right to pre-approve the architect and general contractor you propose to use to develop the Shop before you hire them. Your architect must prepare the Shop-specific blueprints and plans based on the Plans (“Adapted Plans”) and then construct the Shop.

You must send us the Adapted Plans for pre-approval before beginning the Shop’s build-out and all revised or “as built” plans and specifications prepared during construction and development. Our review is limited to reviewing your compliance with our Plans. Our review is not intended or designed to assess your compliance with applicable laws or lease requirements, which is your responsibility.

You must at your expense construct, install all trade dress and Operating Assets in, and otherwise develop the Shop according to our standards, specifications, and directions. The Shop must contain all Operating Assets, and only those Operating Assets, we specify or pre-approve. You agree to place or display at the Shop (interior and exterior), according to our guidelines, only the signs, emblems, lettering, logos, and materials we approve.

We have the right to modify Brand Standards periodically, which may accommodate regional or local variations, and those modifications may obligate you to invest additional capital in the Shop and/or incur higher operating costs. You must implement any changes in mandatory Brand Standards within the time period we request. However, except for:

- (i) changes in the computer system;
- (ii) changes in signage and logo (i.e., Shop exterior and interior graphics);
- (iii) certain changes in connection with a transfer;
- (iv) changes required by the Shop’s lease or applicable law; and

- (v) general Shop upkeep, repair, and maintenance obligations,

for all of which the timing and amounts are not limited during the franchise term, we will not require you to make any capital modifications (i.e., any modification that would qualify as a capital expenditure under generally-accepted accounting principles): (a) during the first 5 years after the Shop commences operation; or (b) during the last 2 years of the franchise term, unless the proposed capital modifications during those last 2 years (the amounts for which are not limited) are in connection with Shop upgrades, remodeling, refurbishing, and similar activities for your acquisition of a successor franchise.

This means that, besides the rights we reserve above in clauses (i) through (v), we have the right during the 6<sup>th</sup> through 8<sup>th</sup> years after the Shop commences operation (and unrelated to your potential acquisition of a successor franchise) to require you substantially to alter the Shop's appearance, layout, and/or design, and/or to replace a material portion of the Operating Assets, in order to meet our then-current requirements and then-current Brand Standards for new RANDY'S DONUTS Shops. This could obligate you to make extensive structural changes to, and significantly remodel and renovate, the Shop, and/or to spend substantial amounts for new Operating Assets. You must spend any sums required in order to comply with this obligation and our requirements (even if such expenditures cannot be amortized over the remaining franchise term), provided, however, that we will not require you to spend more than \$100,000 in total on any remodeling and renovations during the 6<sup>th</sup> through 8<sup>th</sup> years after the Shop commences operation. Within 60 days after receiving written notice from us, you must prepare plans according to the standards and specifications we prescribe and, if we require, using architects and contractors we designate or approve, and then submit those plans to us for written approval.

### Insurance

You must maintain insurance coverage for the Shop at your own expense in the amounts, and covering the risks, we periodically specify. Your insurance carriers must be licensed to do business in the Shop's state and be rated A- or higher by A.M. Best and Company, Inc. (or satisfy our other criteria). We periodically may increase the required coverage amounts 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 relevant changes in circumstances. Insurance policies must name us and our affiliates as additional insureds and give us 30 days' prior written notice of material modification, cancellation, non-renewal, or non-payment. You must send us a valid insurance certificate or duplicate insurance policy showing required coverage and payment of premiums.

You currently must have the following minimum insurance coverage: (a) workers' compensation with employers liability limits meeting statutory requirements in your state of operation; (b) Employment Practices Liability (EPLI) with a limit of at least \$250,000; (c) General Liability with limits of at least \$1,000,000 each occurrence, \$1,000,000 personal and advertising injury, \$2,000,000 products and completed operation aggregate, and a \$2,000,000 general aggregate; (d) Umbrella with limits of at least \$2,000,000 covering the general liability for each occurrence; and (e) Automobile with at least \$1,000,000 combined single limit for hired/non-owned auto at a minimum.

## Customer Loyalty Programs

You must participate in, and comply with the requirements of, our gift/loyalty/stored-value card and similar customer-loyalty programs. You also must use, in the manner we require, mobile or digital ordering and Franchise System applications and other digital channels (“Apps”) for which we and third parties may charge fees. We have no obligation to reimburse you for any costs you incur in participating in our gift/loyalty/stored-value card and other customer loyalty programs, including for providing services or products to customers without compensation.

## Supplier Approval and Designation Process and Compliance with Brand Standards

Except as described above, there are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Shop that you currently must buy or lease from us (or our affiliates) or designated or approved suppliers. In the future, we have the right to designate other products and services that you must buy only from us, our affiliates, or designated or approved suppliers (see “Food Production Commissary” discussion below).

To maintain the quality of RANDY’S DONUTS Shop products and services and our franchise network’s reputation, all Operating Assets and other products and services your Shop uses or sells (besides those described above that you have the right to obtain only from us, our affiliates, and/or approved and designated suppliers) must meet our minimum standards and specifications, which we issue and modify based on our, our affiliates’, and our franchisees’ experience in operating RANDY’S DONUTS Shops. Standards and specifications may impose minimum requirements for production, performance, safety, reputation, prices, quality, design, and appearance. Our Operations Manual, other technical manuals, and written and on-line communications will identify our standards and specifications for you. When appropriate and authorized, you may provide those standards and specifications to suppliers if they agree to maintain confidentiality.

If you want to purchase or lease any Operating Assets or other products or services from a supplier or distributor we have not then approved (if we require you to buy or lease the product or service only from an approved supplier or distributor), then you must establish to our reasonable satisfaction that the product or service is of equivalent quality and functionality to the product or service it replaces and the supplier or distributor is, among other things, reputable, financially responsible, and adequately insured for product liability claims. You must pay upon request any actual expenses we incur to determine whether or not the products, services, suppliers, or distributors meet our requirements and specifications. We will decide within a reasonable time (30 to 60 days).

We have the right to condition supplier or distributor approval on requirements relating to product taste, quality, and safety; third-party lab testing; prices; consistency; warranty; supply-chain reliability and integrity; financial stability; customer relations; frequency, economy, and efficiency of delivery; the benefits of concentrating purchases with limited suppliers; standards of service (including prompt attention to complaints); and other criteria. We have the right to inspect the proposed supplier’s or distributor’s facilities and require the proposed supplier or distributor to send samples or items either directly to us or to a third-party testing service. We



have the right to re-inspect a supplier's or distributor's facilities and products and revoke our approval of any supplier, distributor, product, or service no longer meeting our criteria by notifying you and/or the supplier or distributor. We do not make our approval criteria for suppliers or distributors available to franchisees.

Despite these procedures, we have the right to limit the number of approved suppliers and distributors, designate sources you must use, and refuse your requests for any reason, including because we already have designated an exclusive source (which might be us or our affiliate) for a particular item or service or believe that doing so is in the RANDY'S DONUTS Shop network's best interest. If we approve any supplier or distributor you recommend, we have the right to authorize other RANDY'S DONUTS Shops to buy or lease any Operating Assets or other products or services from that supplier or distributor without compensating you.

### Food Production Commissary

If we or one of our affiliates constructs, develops, and begins operating a food production commissary in, or in proximity to, your Shop's market area in order to produce for and supply to, and with the capacity to produce for and supply to, the Shop and other RANDY'S DONUTS Shops in proximity to the food production commissary their entire required inventory of donuts and, if applicable (in our opinion), other core products offered by RANDY'S DONUTS Shops, we have the right to require the Shop to purchase its entire required inventory of donuts and, if applicable (in our opinion), other core products exclusively from the food production commissary. If we exercise this right, the Shop no longer will be allowed to produce such products at the Shop and must cease all in-Shop production activity at our direction (except with our prior written approval or in the case of an emergency).

The wholesale prices that we or our affiliate has the right to charge the Shop for the inventory of products it must purchase from the designated food production commissary will not exceed the fully-loaded production costs for such inventory that the Shop would have incurred had it produced such inventory in-Shop with its own equipment and facilities.

If we or our affiliate, after constructing, developing, and operating the food production commissary described and permitted above, chooses for whatever reason to cease operating that food production commissary, you will receive no less than 6 months' prior written notice of the effective date of our or its intended cessation of operation. However, we or our affiliate will not cease operating the food production commissary until either, in our sole judgment:

- (i) you have taken all steps necessary to equip the Shop, in compliance with Brand Standards, to produce on-site its entire required inventory of products (formerly prepared by the food production commissary), which steps you must commence immediately after receiving our notice and complete within the timeframe we specify; or
- (ii) we arrange with an alternative third-party supplier to produce for and supply to the Shop its entire required inventory of donuts and, if applicable (in our opinion), other core products offered by RANDY'S DONUTS Shops, either at the original food production commissary established by us or our affiliate or elsewhere, and to sell such products to the Shop at wholesale prices comparable to the wholesale prices

at which we or our affiliate sold such products to the Shop from our or its food production commissary.

Despite the discussion above, we and our affiliates will not require the Shop to purchase its required inventory of donuts and, if applicable, other core products offered by RANDY'S DONUTS Shops from a food production commissary that we or our affiliate constructs, develops, and begins operating in, or in proximity to, the Shop's market area if, as of that time, you or your affiliate already constructed, developed, and began operating (with our prior written approval) your or its own food production commissary in order to supply the Shop and your or its other RANDY'S DONUTS Shops in the market area with their required inventory of products for a RANDY'S DONUTS Shop.

### Revenue from Supply Chain

We and/or our affiliates have the right to derive revenue based on your purchases and leases, including from charging you (at prices exceeding our and their costs) for products and services we or our affiliates sell you and from promotional allowances, volume discounts, and other amounts paid to us and our affiliates by suppliers we designate, approve, or recommend for some or all RANDY'S DONUTS Shop franchisees. We and our affiliates have the right to use all amounts received from suppliers, whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes we and our affiliates deem appropriate. While we reserve the right to do so, we and our affiliates currently do not receive any revenue from unaffiliated suppliers based on your purchases and leases.

Collectively, your purchases and leases from us or our affiliates, from designated or approved suppliers, or according to our standards and specifications represent about 100% of your overall purchases and leases to establish and then to operate the Shop. We and our affiliates did not derive any revenue during 2023 from selling or leasing products or services directly to franchisees or receive any payments from designated and approved suppliers on account of their sales to our franchisees.

### Negotiation of Purchase Arrangements

There currently are no purchasing or distribution cooperatives. We and our affiliates currently negotiate purchase arrangements with suppliers (including price terms) for food ingredients and equipment. In doing so, we and our affiliates seek to promote the overall interests of the franchise system and affiliate-owned operations and our interests as the franchisor. We do not negotiate purchase arrangements for the benefit of any particular franchisee or group of franchisees. We make no guaranty, warranty, or promise that we and our affiliates will obtain the best pricing or most advantageous terms on behalf of RANDY'S DONUTS Shops. We and our affiliates also do not guaranty the performance of suppliers and distributors to RANDY'S DONUTS Shops. We are not responsible or liable if a supplier's or distributor's products or services fail to conform to or perform in compliance with Brand Standards or our contractual terms with the supplier or distributor.

We do not provide material benefits to a franchisee (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

The Development Rights Agreement does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or comparable items related to establishing or operating your business under the DRA. However, each site proposed for a RANDY’S DONUTS Shop must satisfy our site-selection criteria and is subject to our written acceptance.

**Item 9**  
**FRANCHISEE’S OBLIGATIONS**

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	4.A and B of Franchise Agreement 5 of Development Rights Agreement	7, 8, 11, and 12
b. Pre-opening purchases/leases	4.C and D of Franchise Agreement Not applicable under Development Rights Agreement	7, 8, and 11
c. Site development and other pre-opening requirements	4.C and D of Franchise Agreement 5 of Development Rights Agreement	7, 8, and 11
d. Initial and ongoing training	6 of Franchise Agreement Not applicable under Development Rights Agreement	5, 6, 7, and 11
e. Opening	4.D of Franchise Agreement 1(a), 2(a), and 5 of Development Rights Agreement	11 and 12
f. Fees	3.H, 4.A and C, 5, 6.B, C, D, E, G, and H, 7.C, D, E, and F, 10, 13, 15, 16.C, 17, 18.C, 19.A and B, 20.C, D, and E, and 21.C of Franchise Agreement 4 of Development Rights Agreement	5, 6, 7, and 8
g. Compliance with standards and policies/operating manual	6.H and 7 of Franchise Agreement Not applicable under Development Rights Agreement	8 and 11
h. Trademarks and proprietary information	8, 9, 10, and 11 of Franchise Agreement 3 of Development Rights Agreement	13 and 14

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
i. Restrictions on products/services offered	7 of Franchise Agreement Not applicable under Development Rights Agreement	8, 11, 12, and 16
j. Warranty and customer service requirements	7.C of Franchise Agreement Not applicable under Development Rights Agreement	Not Applicable
k. Territorial development and sales quotas	1(a), 2(a), and 5 of Development Rights Agreement	11 and 12
l. On-going product/service purchases	7.C, D, and E of Franchise Agreement Not applicable under Development Rights Agreement	6 and 8
m. Maintenance, appearance and remodeling requirements	7.A and C, 16.C.ii.f and h, and 17 of Franchise Agreement Not applicable under Development Rights Agreement	8, 11, and 17
n. Insurance	20.D of Franchise Agreement Not applicable under Development Rights Agreement	7 and 8
o. Advertising	13 of Franchise Agreement Not applicable under Development Rights Agreement	5, 6, 7, 8, and 11
p. Indemnification	20.E of Franchise Agreement 10 and 11 of Development Rights Agreement	6
q. Owner's participation/management/staffing	3.G and H, 6, and 7.C.iii of Franchise Agreement Not applicable under Development Rights Agreement	11 and 15
r. Records and reports	14 of Franchise Agreement Not applicable under Development Rights Agreement	6
s. Inspections and audits	15 of Franchise Agreement Not applicable under Development Rights Agreement	6
t. Transfer	16 of Franchise Agreement 8 of Development Rights Agreement	6 and 17

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
u. Renewal	17 of Franchise Agreement Not applicable under Development Rights Agreement	6 and 17
v. Post-termination obligations	18.C and 19 of Franchise Agreement Not applicable under Development Rights Agreement	17
w. Non-competition covenants	12, 16.C.i and ii.c, and 19.E of Franchise Agreement 11 of Development Rights Agreement	15 and 17
x. Dispute resolution	21.C, F, G, H, I, J, and L of Franchise Agreement 11 of Development Rights Agreement	17
y. Consumer Data and Data Security	10 of Franchise Agreement Not applicable under Development Rights Agreement	14
z. Social Media Restrictions	7.C.xiii of Franchise Agreement Not applicable under Development Rights Agreement	8
aa. Compliance with Customer Loyalty Programs	7.C.xiii of Franchise Agreement Not applicable under Development Rights Agreement	6 and 8
bb. Compliance with Customer Complaint Resolution Procedures	7.C.iv of Franchise Agreement Not applicable under Development Rights Agreement	Not Applicable
cc. Compliance with All Laws	7.B, 10, and 22 of Franchise Agreement Not applicable under Development Rights Agreement	Not Applicable
dd. Use of Apps and Other Communication Channels	7.C.xii and xvi of Franchise Agreement Not applicable under Development Rights Agreement	6 and 8
ee. Food Production Commissary	7.D of Franchise Agreement Not applicable under Development Rights Agreement	8

Obligation	Section in agreement	Disclosure document item
ff. Owner Guaranty	Guaranty and Assumption of Obligations  Not applicable under Development Rights Agreement	15

**Item 10**  
**FINANCING**

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

**Item 11**  
**FRANCHISOR’S ASSISTANCE, ADVERTISING,  
COMPUTER SYSTEMS, AND TRAINING**

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

Pre-Opening Assistance

Before you begin operating the Shop, we will (directly or through an affiliate or other designated third party):

1. Review potential Shop sites you identify within the Site Selection Area. We will visit the Site Selection Area once at no charge to review potential Shop sites you propose. We have the right to condition our proposed visit to and acceptance of a proposed site on your first sending us complete site reports and other materials (including photographs and video recordings) we request. We will give you our then-current criteria for RANDY’S DONUTS Shop sites (including population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, ingress and egress, size, and other physical and commercial characteristics) to help you select and identify your site.

We will use reasonable efforts to review and accept or reject each site you propose within 20 days after we receive all requested information and materials. If we do not accept the site in writing within 20 days, the site is deemed rejected. We will not unreasonably withhold our acceptance of a site if, in our and our affiliates’ experience and based on the factors outlined above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites in the past for RANDY’S DONUTS Shops. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you have chosen, while acceptable to us, is not recommended due to its incompatibility with certain factors bearing on a site’s suitability as a location for a RANDY’S DONUTS Shop. After we accept (and you secure lawful possession of) a proposed site, we will identify that site as the Shop’s address in Exhibit A of the Franchise Agreement. (Franchise Agreement—Section 4.A; DRA—Section 5) We generally do not own

locations for lease to franchisees. Under the DRA, we first must accept each new site you propose for each new RANDY'S DONUTS Shop. Our then-current standards for sites will apply.

If you do not find and we do not accept a Shop site within 6 months after the Franchise Agreement's effective date (or a different date specified in a DRA), then we have the right to terminate the Franchise Agreement upon written notice to you. The initial franchise fee is not refundable. After we accept (and you secure lawful possession of) a proposed site, we also will determine the Area of Protection for that Restaurant, as provided in Item 12. Our then-current standards for sites and Areas of Protection will apply.

If we and you (or your affiliate) are parties to a Development Rights Agreement, the negotiated deadlines specified in that Development Rights Agreement will supersede the deadlines specified above. (DRA—Sections 2 and 5)

2. Accept or reject your Shop's lease or sublease. You must send us for review both the proposed terms of the lease or sublease (as they appear in, for example, a landlord letter of intent) and the actual lease or sublease after you receive them from the landlord. We will have 10 days after receiving the proposed terms, and another 10 days after receiving the actual lease, to review and either accept or reject what you send us. The lease or sublease must either (i) include the lease rider attached as Exhibit D to the Franchise Agreement or (ii) include within its body the lease rider's terms and conditions. You may not sign any lease we have not accepted in writing. (Franchise Agreement—Section 4.B)

3. Give you template Plans for the Shop's development. Our Plans might not reflect the requirements of any federal, state, or local laws, codes, ordinances, or regulations, including those arising under the ADA, or any lease requirements or restrictions. You are solely responsible for complying with all laws and must inform us of any changes to the Shop's specifications that you believe are necessary to ensure such compliance.

You must make sure that your Adapted Plans for the Shop comply with all laws and lease requirements and restrictions. We have the right to pre-approve the architect and general contractor you propose to use to develop the Shop before you hire them. You must send us the Adapted Plans for our written approval before beginning Shop build-out and all revised or "as built" plans prepared during the Shop's construction and development. You may not begin the Shop's build-out until we approve the Adapted Plans in writing; you then must develop the Shop in compliance with the Adapted Plans. During the Shop's build-out, we may physically inspect the Shop or have you send us pictures and images (including recordings) of the Shop's interior and exterior so we can review your development of the Shop in compliance with our Brand Standards. (Franchise Agreement—Section 4.C) We do not conform the Shop's premises to local ordinances and building codes or obtain required permits for you.

4. Provide initial orientation and training to your Operator, bakers, and Shop manager. We describe this training later in this Item. (Franchise Agreement – Section 6.A)

5. As discussed in Item 8, identify the Operating Assets, inventory, supplies, and other products and services you must use to develop and operate the Shop, the minimum standards and specifications you must satisfy, and the designated and approved manufacturers, suppliers, and distributors from which you must or may buy or lease items and services (which may include or be limited to us and/or our affiliates). (Franchise Agreement – Sections 4.C, 6.H, 7.D, and 7.E) We and our affiliates currently are not involved in delivering or installing fixtures, equipment, or signs, although we will provide direction for you to comply with our Brand Standards.

6. Send an “opening team” to the Shop for up to 2 weeks to help train your supervisory employees on our philosophy and Brand Standards (but not matters relating to labor relations and employment practices) and prepare the Shop for opening. (Franchise Agreement – Section 6.C)

7. Give you access to our operations manual and other technical manuals (collectively, the “Operations Manual”). The Operations Manual may consist of and is defined to include audio, video, computer software, other electronic and digital media, and/or written and other tangible materials. The Operations Manual contains Brand Standards and information on your other obligations under the Franchise Agreement. We have the right to modify the Operations Manual periodically to reflect changes in Brand Standards, but those modifications will not alter your fundamental rights or status under the Franchise Agreement. If there is a dispute over the Operations Manual’s contents, our master copy controls. The Operations Manual currently contains the equivalent of approximately 252 total pages; its current table of contents is Exhibit D. (Franchise Agreement – Section 6.H)

8. Consult with you on a customizable public relations and market introduction program for the Shop. You must send us the proposed program for review at least 45 days before its planned rollout date. If we do not accept the program in writing within 15 days, it is deemed rejected. You must implement the approved program according to Brand Standards and our other requirements. (Franchise Agreement – Section 13.A)

9. Designate a specific number of Shops that you (and your Approved Affiliates) must develop and open at accepted locations within your development Territory by the development deadlines (if we grant you development rights). (DRA – Sections 1, 2, and 5) We will accept your Shops’ proposed locations only if they meet our then-current standards for Shop sites.

### Ongoing Assistance

During your Shop’s operation, we will (directly or through an affiliate or other designated third party):



1. Advise you or make recommendations regarding the Shop's operation with respect to standards, specifications, operating procedures, and methods that RANDY'S DONUTS Shops use; purchasing required or recommended Operating Assets and other products, services, supplies, and materials; supervisory employee training methods and procedures (although you are solely responsible for the employment terms and conditions of all Shop employees); and accounting, advertising, and marketing. We may guide you through our Operations Manual, in bulletins or other written materials, by electronic media, by telephone, and/or at our office or the Shop. (Franchise Agreement – Section 6.H)

2. At our option, establish an Intranet for internal system-wide communications. The Intranet might be part of the System Website described later in this Item. The Intranet will provide the features, services, and functionality we periodically specify. You must comply with our requirements for connecting to and using the Intranet. We have the right to discontinue the Intranet or any services offered through the Intranet at any time. (Franchise Agreement – Section 7.F)

3. Give you, at your request and expense (and our option), additional or special guidance, assistance, and training. We have no obligation to continue providing any specific ongoing training, conventions, advice, or assistance. (Franchise Agreement – Section 6.H)

4. Continue to give you access to our Operations Manual. (Franchise Agreement – Section 6.H)

5. Issue and modify Brand Standards. Changes in Brand Standards may require you to invest additional capital in the Shop and incur higher operating costs. You must comply with those obligations within the timeframe we specify. Our Franchise Agreement describes certain time limitations on when we have the right to require you to implement certain capital modifications and certain related cost caps. Brand Standards may regulate (to the extent the law allows) maximum, minimum, or other pricing requirements for products and services the Shop sells, including requirements for promotions, special offers, and discounts in which some or all RANDY'S DONUTS Shops must participate and price advertising policies. While we currently do not mandate your Shop's retail prices, we will suggest or recommend prices your Shop should charge. (Franchise Agreement – Sections 7.A and 7.C)

6. Let you use our Marks. (Franchise Agreement – Section 8)

7. Let you use our confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information"). (Franchise Agreement – Sections 7.E and 9)

8. At our option, maintain a Brand Fund for advertising, marketing, research and development, public relations, social media management, and customer relationship management programs and materials we deem appropriate to enhance, promote, and

protect the RANDY'S DONUTS brand and franchise system. We describe the Brand Fund and other advertising activities below. (Franchise Agreement – Section 13.B)

9. Periodically inspect and monitor the Shop's operation. (Franchise Agreement – Section 15.A)

10. Periodically offer refresher training courses. (Franchise Agreement – Section 6.D)

11. Review advertising and promotional materials you want to use. (Franchise Agreement – Sections 13.C and D)

12. Sell you the Shop's required inventory of products if we or our affiliate establishes a food production commissary in or near your market. (Franchise Agreement – Section 7.D)

## Advertising and Marketing Programs

### Market Introduction Program

You must spend at least \$10,000 to conduct a public relations and market introduction program for the Shop. We expect this program to begin approximately one month before and to continue for approximately one month after the Shop opens (although we have the right to specify a different timeframe). We will consult with you about the type of public relations and market introduction program that we believe is most suitable for your Shop's market. We must pre-approve in writing your proposed public relations and market introduction program, and you must send it to us for review at least 45 days, before its planned rollout date. If we do not accept the public relations and market introduction program in writing within 15 days after receiving it, it will be deemed rejected. You agree to implement the approved program according to Brand Standards and our other requirements. At our request, you must pay us for the program's anticipated costs, which we then will either spend on your behalf in the Shop's market or re-pay you as you send us invoices or receipts confirming your commitment with vendors to move forward with the approved program.

### Brand Fund

We have the right to establish a Brand Fund to which you must contribute the amounts we periodically specify, not to exceed 4% of your Shop's weekly Gross Sales. We do not yet collect the Brand Fund contribution as of this disclosure document's issuance date.

Until the total number of operational franchised RANDY'S DONUTS Shops equals the total number of operational company- and affiliate-owned RANDY'S DONUTS Shops, the operational company- and affiliate-owned RANDY'S DONUTS Shops collectively need only match each weekly period the total Brand Fund contributions actually made during that weekly period by all operational franchised RANDY'S DONUTS Shops. Once the total number of operational franchised RANDY'S DONUTS Shops equals the total number of operational company- and affiliate-owned RANDY'S DONUTS Shops, each operational company- and affiliate-owned RANDY'S DONUTS Shop will contribute to the Brand Fund each weekly

period on the same percentage basis as franchisees, provided, however, that no operational company- or affiliate-owned RANDY'S DONUTS Shop must contribute to the Brand Fund during any weekly period during the franchise term more than the highest-contributing operational franchised RANDY'S DONUTS Shop actually contributed during that weekly period.

Your total Brand Fund contribution, Local Marketing Spending Requirement, and Cooperative expenditures will not exceed 5% of your Shop's Gross Sales. We have the right to adjust the percentages among the various required expenditures throughout the franchise term (subject to the cap for each described in this Item).

We will direct all programs the Brand Fund finances, with sole control over all creative and business aspects of the Fund's activities. The Brand Fund may pay for, among other things, preparing, producing, and placing video, audio, and written materials, digital and electronic media, and Social Media; developing, maintaining, and administering one or more System Websites; administering national, regional, and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; establishing regional and national promotions and partnerships and hiring spokespersons to promote the RANDY'S DONUTS brand; and supporting public relations, market research, and other advertising, promotion, marketing, and brand-related activities. The Brand Fund may advertise locally, regionally, and/or nationally in printed materials, on radio or television, and/or on the Internet, as we think best. We and/or an outside regional or national advertising agency will produce all advertising and marketing. The Brand Fund periodically may give you sample Marketing Materials at no cost. We may sell you multiple copies of Marketing Materials at our direct production costs, plus any related shipping, handling, and storage charges.

We will account for the Brand Fund separately from our other funds (although we need not keep Brand Fund contributions in a separate bank account) and will not use the Brand Fund for any of our general operating expenses. However, the Brand Fund may reimburse us and our affiliates for the reasonable salaries and benefits of personnel (including our owners) who manage and administer, or otherwise provide assistance or services to, the Brand Fund; the Brand Fund's administrative costs; travel-related expenses of personnel while they are on Brand Fund business; meeting costs; overhead relating to Brand Fund business; and other expenses we and our affiliates incur administering or directing the Brand Fund and its programs, including conducting market research, preparing Marketing Materials, collecting and accounting for Brand Fund contributions, paying taxes due on Brand Fund contributions we receive; and any other costs or expenses we incur operating or as a consequence of the Fund. We will not use the Brand Fund specifically to develop materials and programs to solicit franchisees. However, media, materials, and programs prepared using Brand Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. Because the Brand Fund does not yet exist, it has no operating history.

The Brand Fund is not a trust, and we do not owe you fiduciary obligations because we maintain, direct, or administer the Brand Fund or for 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, invest any surplus for future use,

and roll over unspent monies to the following year. We have the right to use new Brand Fund contributions to pay Brand Fund deficits incurred during previous years. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. We will prepare an annual, unaudited statement of Brand Fund collections and expenses and post the statement on the Intranet within 60 days after our fiscal year end or otherwise give you a copy of the statement upon reasonable written request with at least 30 days' prior written notice. We have the right (but no obligation) to have the Brand Fund audited annually, at the Brand Fund's expense, by a certified public accountant we designate. We have the right to 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's principal purposes are to maximize recognition of the Marks, increase patronage of RANDY'S DONUTS Shops, and enhance, promote, and protect the RANDY'S DONUTS brand and franchise system. Although we will try to use the Brand Fund in the aggregate to develop and implement Marketing Materials and programs benefiting all RANDY'S DONUTS Shops, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by RANDY'S DONUTS Shops operating in that geographic area or that any RANDY'S DONUTS Shop benefits directly or in proportion to its Brand Fund contribution from the development of Marketing Materials or the implementation of programs. (In other words, the Brand Fund need not spend any specific amount in your market area. We also have no separate obligation to spend any amount on advertising in your market area.) We have the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect unpaid Brand Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We have the right at any time to defer or reduce the Brand Fund contributions of any RANDY'S DONUTS Shop franchisee and, upon 30 days' prior written notice to you, reduce or suspend Brand Fund contributions and 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 either (i) spend the remaining Fund balance on permitted programs and expenditures or (ii) distribute all unspent funds to our then-existing franchisees, and to us and our affiliates, in proportion to their and our respective Brand Fund contributions during the preceding 12 months. (Franchise Agreement – Section 13.B)

### Local Marketing

You must spend the amounts we periodically specify, not to exceed 2% of your Shop's monthly Gross Sales (and currently 1%), on approved Marketing Materials and programs for the Shop. You must prepare, or collaborate with us to prepare, a written local marketing plan for the Local Marketing Spending Requirement and send us the plan for review and pre-approval. (Franchise Agreement – Section 13.D) We have the right to determine which expenses count or do not count toward your Local Marketing Spending Requirement. Generally, Brand Fund contributions, price discounts or reductions you provide as a promotion, permanent on-premises signs, lighting, personnel salaries, administrative costs, transportation vehicles (even if they display the Marks), and employee incentive programs do not count. If you do not spend (or prove

that you spent) the Local Marketing Spending Requirement, we have the right, among other rights, to require you to contribute the shortfall to the Brand Fund.

Your total Local Marketing Spending Requirement, Brand Fund contribution, and Cooperative expenditures will not exceed 5% of your Shop's Gross Sales. We have the right to adjust the percentages among the various required expenditures throughout the franchise term (subject to the cap for each described in this Item).

The marketing activities in which you engage will materially affect your Shop's success or lack of success. The Local Marketing Spending Requirement might be insufficient for you to achieve your business objectives. Subject to the requirements above, you alone are responsible to determine how much to spend on, and the nature of, Marketing Materials and other approved advertising, marketing, and promotional programs for the Shop in order to achieve your business objectives.

#### Approval of Advertising

All advertising, promotion, marketing, and public relations activities you conduct and Marketing Materials you prepare must not be misleading, must conform to our policies, and must comply with all laws. To protect the goodwill that we and our affiliates have accumulated in the "RANDY'S DONUTS" name and other Marks, at least 30 days before using them, you must send us samples or proofs of all Marketing Materials that we did not prepare or already approve or that we prepared or approved but you want to change in any way. If we do not approve those Marketing Materials in writing within 30 business days after we receive them, they are deemed to be approved for use. You may not use any Marketing Materials that we have not approved or have disapproved. We have the right upon 30 days' prior written notice to require you to stop using any previously-approved Marketing Materials. (Franchise Agreement – Section 13.C)

#### Advertising Councils

There currently are no franchisee advertising councils advising us on advertising and marketing policies and programs. However, we have the right to form, change, dissolve, or merge any franchisee advertising council.

#### Advertising Cooperatives

There currently are no advertising cooperatives. However, we have the right to designate a geographic area for an advertising cooperative (a "Cooperative"). The Cooperative's members in any area are the owners of all RANDY'S DONUTS Shops located and operating in that area (including us and our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, we determine. There need not be any formal agreements or bylaws to administer the Cooperative. We have the right to change, dissolve, and merge Cooperatives. Each Cooperative's purpose is, with our approval, to administer advertising programs and develop Marketing Materials for the area the Cooperative covers. You automatically will become a member of any existing or new Cooperative formed in your market area and must participate in the Cooperative as we require. You must contribute to the Cooperative the amounts we periodically specify, not to exceed 2% of the Shop's monthly Gross Sales. One-half of your Cooperative dues will count toward the Local Marketing Spending

Requirement but not toward the initial public relations and market introduction program or Brand Fund contributions. RANDY'S DONUTS Shops that we and our affiliates own in the Cooperative's Area will contribute at the same rate. The Cooperative will prepare annual, unaudited financial statements that you will have the right to review. (As noted above, your total Cooperative expenditures, Local Marketing Spending Requirement, and Brand Fund contribution will not exceed 5% of your Shop's Gross Sales. We have the right to adjust the percentages among the various required expenditures throughout the franchise term (subject to the cap for each described in this Item).) (Franchise Agreement – Section 13.E)

### System Website and Electronic Advertising

We or our designees may establish a website or series of websites for the RANDY'S DONUTS Shop network: (1) to advertise, market, identify, and promote RANDY'S DONUTS Shops, the products and services they offer, and/or the RANDY'S DONUTS Shop franchise opportunity; (2) to help us operate the RANDY'S DONUTS Shop network; and/or (3) for any other purposes we deem appropriate for RANDY'S DONUTS Shops or our other business activities (collectively, the "System Website"). The System Website may, but need not, give you a separate interior webpage or "micro-site" (accessible only through the System Website) ("Micro-Site") referencing your Shop and/or otherwise allow you to participate in the System Website. At our request, you must develop your Micro-Site at your own expense using a template we provide. We must pre-approve your Micro-Site before it is posted by our webmaster on the System Website; we also have the continuing right to monitor and pre-approve your Micro-Site's form, content, and quality during the franchise term. We may reject your Micro-Site if its form or content is unacceptable to us. Your Micro-Site always must comply with Brand Standards. You may modify your Micro-Site only through and with the pre-approval of our webmaster. We will own all intellectual property and other rights in the System Website, your Micro-Site, and all information they contain. We will control, and may use the Brand Fund's assets to develop, maintain, operate, update, and market, the System Website, including your Micro-Site.

All Marketing Materials you develop for the Shop must contain notices of the System Website's URL as we specify. You may not develop, maintain, or authorize another website, online presence, or electronic medium mentioning or describing the Shop or displaying any Marks without our prior written approval. You 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. We have the right to maintain websites other than the System Website and to offer and sell products and services under the Marks from the System Website, another website, or otherwise over the Internet without payment or other obligation to you. (Franchise Agreement – Section 13.F)

### Computer System

You must obtain and use the computer hardware and software, point-of-sale system, dedicated telephone and power lines, modems, printers, tablets, smart phones, and other computer-related accessories and peripheral equipment we periodically specify (the "Computer System"). At our option, you must use the Computer System to access the Intranet and to input and access information about your sales and operations. The Computer System must permit 24-

hours-per-day, 7-days-per-week electronic communications between you and us, including access to the Internet and Intranet. (Franchise Agreement – Section 7.E) We will have continuous, unlimited, independent access to all operational information on the Computer System, excluding employee or employment-related information. There are no contractual limitations on our right to access the information on your Computer System, except that we will not unreasonably interfere with your Shop’s operation.

The computer system currently includes a laptop with Microsoft Word and Excel programs, a printer for the laptop, 2 Revel Systems point-of-sale systems with iPad terminals, and credit card terminals and receipt printers. As described in Item 7, we estimate the computer and point-of-sale systems’ costs to range from \$4,500 to \$9,000 depending on which type of RANDY’S DONUTS Shop you operate.

The third parties whose computer-related products you buy have no contractual right or obligation to provide ongoing maintenance, repairs, upgrades, or updates unless you obtain a service contract or a warranty covers the product. We currently do not provide computer-related products and therefore have no such obligations. We estimate the cost of ongoing maintenance, repairs, upgrades, and updates for the current computer and point-of-sale systems to be approximately \$350 per month for 2 point-of-sale systems (the cost for drive-thrus is likely to be higher—perhaps twice as much—because there are more systems). The Computer System generates and maintains sales, menu mix, and other financial information. You must upgrade the Computer System, and/or obtain service and support, as we require or when necessary because of technological developments, including complying with PCI Data Security Standards. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse your costs. You may not use any unapproved computer software or security access codes. We have independent, unlimited access to the information the system generates (and to the content of any RANDY’S DONUTS email accounts we provide you), although not to employee- or employment-related information for your Shop’s employees.

We and our affiliates may condition any license to you of required or recommended proprietary software, and/or your use of technology developed or maintained by or for us (including the Intranet), on your signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent in a click-through license agreement), that we and our affiliates require to regulate your use of 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 we or our affiliates choose to create, develop, modify, and license to you and for other Computer System maintenance and support services and programs provided during the franchise term.

Despite your obligation to buy, use, and maintain the Computer System according to our standards and specifications, you have sole and complete responsibility for: (1) acquiring, operating, maintaining, and upgrading the Computer System; (2) the manner in which your Computer System interfaces with our and any third party’s computer system; (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded; and (4) independently determining what is required for you to comply (and then complying) at all times with the most-current version of the Payment Card Industry Data Security Standards, and with all laws governing the use, disclosure, and protection of Consumer Data (defined in Item

14) and the Computer System, and validating compliance with those standards and laws as periodically required.

## Opening

You must open the Shop for business within 1 year after the Franchise Agreement's effective date (subject to an earlier date specified in a DRA). However, we expect the typical opening timeframe after a franchisee signs the Franchise Agreement to be closer to 9 months. Your opening timetable depends on how quickly you find the Shop's site and finalize the Shop's lease; the Shop's condition and upgrading and remodeling requirements; the construction schedule; obtaining licenses; the delivery schedule for Operating Assets and supplies; attending and completing training; and complying with local laws and regulations. If we and you (or your Approved Affiliate) are parties to a DRA, the DRA will identify the negotiated opening and other deadlines for each Shop you commit to develop. (DRA – Sections 1, 2, and 5)

You may not open the Shop for business until: (1) we or our designee inspects and approves in writing the Shop as having been developed in compliance with our specifications and standards; (2) your Managing Owner and Operator complete the initial orientation and training programs to our satisfaction; (3) the Shop has sufficient trained employees to manage and operate the Shop on a day-to-day basis in compliance with our Brand Standards; (4) your Managing Owner, Operator, and Shop employees complete all required third-party certifications for the food industry; (5) you have satisfied all state and federal permitting, licensing, and other legal requirements and, at our request, have sent us copies of all required permits, licenses, and insurance policies; (6) you have paid all amounts owed to, and are not in default under any agreement with, us, our affiliates, and principal suppliers; and (7) you have met all other opening requirements specified in our Operations Manual. (Franchise Agreement—Sections 4.C and 4.D)

## Training

### Initial Orientation and Training Programs

If this is your first RANDY'S DONUTS Shop, your Managing Owner must attend an initial orientation session on the RANDY'S DONUTS franchise system at our principal business address or another designated location at a time we specify after the Franchise Agreement's effective date (which may coincide with the training program). Five people (your Operator, the on-site manager, and 3 bakers) also must complete our initial training program to our satisfaction before opening the Shop for business. (Franchise Agreement—Section 6.A)

The Shop must have on staff (besides the Operator) one fully-trained on-site manager and 3 bakers). We will conduct the initial training program at our designated training location and/or through video and other electronic means. We expect training (which currently is approximately 4 weeks for the Operator and manager and 4 weeks for bakers) to occur after you sign the Franchise Agreement and while you develop the Shop. As a new franchisor, we plan to be flexible in scheduling training to accommodate our personnel, your Operator, and the Shop's personnel. There currently are no fixed (i.e., monthly or bi-monthly) training schedules. We use manuals, videos, and other training aids during the training program. Your training attendees must complete training at least 30 days before the Shop's scheduled opening date. We provide the initial orientation and training programs for no additional fee. You must pay your employees'



wages, benefits, and travel, hotel, and food expenses while they attend training. Our training program may include a “train the trainer” module so your senior-level personnel can learn how to train your other employees in our Brand Standards. Item 5 describes our training cancellation fees. If this is your 2<sup>nd</sup> or successive RANDY’S DONUTS Shop, your Operator (if the same person) need not repeat the initial training program.

The following chart describes our current initial training program, which we may modify for the particular trainees:

### TRAINING PROGRAM

Managers & Operators Training Program Chart			
Column 1	Column 2		Column 3
	Hours of Training		
Subject	Classroom/Self-Study	On-the-job	Location
General Introduction	1	1	Inglewood, CA
Baking Overview	1	1	Inglewood, CA
Safety & Sanitation	1	4	Inglewood, CA
Baking Equipment Overview	1	2	Inglewood, CA
Baking Tools Overview	1	2	Inglewood, CA
Product Overview	2	1	Inglewood, CA
Mixer Prep & SOP	2	4	Inglewood, CA
Cake Donut Prep & SOP	2	4	Inglewood, CA
Raised Donut Prep & SOP	2	4	Inglewood, CA
Prep Proofer & SOP	2	4	Inglewood, CA
Fryer Prep & SOP	2	4	Inglewood, CA
Frying Cake Donuts SOP	1	8	Inglewood, CA
Frying Raised Donuts SOP	1	8	Inglewood, CA
Glazing Prep & SOP	2	4	Inglewood, CA
Icing Prep & SOP	2	4	Inglewood, CA
Filling Prep & SOP	0.5	1	Inglewood, CA
Toppings Prep & SOP	2	2	Inglewood, CA
Cleaning Equipment	0.5	2	Inglewood, CA
Production Goals & Par Sheets	2	2	Inglewood, CA
Waste Sheets	0.5	1	Inglewood, CA
Customer Service	1	4	Inglewood, CA
Use of POS System	1	3	Inglewood, CA

Managers & Operators Training Program Chart			
Column 1	Column 2		Column 3
	Hours of Training		
Subject	Classroom/Self-Study	On-the-job	Location
Use of Credit Card Terminal	0.5	1	Inglewood, CA
Cash Handling Procedures	1	2	Inglewood, CA
Donut Display Prep & Maintenance	0	1	Inglewood, CA
Use of Donut Paper Goods	0	1	Inglewood, CA
Beverage Product Overview	0.5	1	Inglewood, CA
Use of Beverage Equipment	0.5	1	Inglewood, CA
Beverage Paper Goods & Storage	0	0.5	Inglewood, CA
Sale of Souvenirs & Storage	0	1	Inglewood, CA
Opening Store Procedures	1	8	Inglewood, CA
Cash Drawer Setup	1	2	Inglewood, CA
Cash Handling Procedures	1	4	Inglewood, CA
Cash Drop Procedures	1	4	Inglewood, CA
POS & Cash Reconciliation	2	6	Inglewood, CA
Incoming & Outgoing Shift Procedures	1	8	Inglewood, CA
Closing Store Procedures	1	8	Inglewood, CA
Equipment Maintenance Protocols	1	3	Inglewood, CA
Store Maintenance Protocols	1	4	Inglewood, CA
<b>TOTAL</b>	<b>43</b>	<b>125.50</b>	

Bakers Training Program Chart			
Column 1	Column 2		Column 3
	Hours of Training		
Subject	Classroom	On-the-job	Location
General Introduction	1	1	Inglewood, CA
Baking Overview	1	1	Inglewood, CA
Safety & Sanitation	2	4	Inglewood, CA
Baking Equipment Overview	1	2	Inglewood, CA
Baking Tools Overview	1	2	Inglewood, CA

Managers & Operators Training Program Chart			
Column 1	Column 2		Column 3
	Hours of Training		
Subject	Classroom/Self-Study	On-the-job	Location
Product Overview	1	1	Inglewood, CA
Mixer Prep & SOP	2	8	Inglewood, CA
Cake Donut Prep & SOP	1	24	Inglewood, CA
Raised Donut Prep & SOP	1	24	Inglewood, CA
Prep Proofer & SOP	1	8	Inglewood, CA
Fryer Prep & SOP	1	3	Inglewood, CA
Frying Cake Donuts SOP	1	24	Inglewood, CA
Frying Raised Donuts SOP	1	24	Inglewood, CA
Glazing Prep & SOP	1	8	Inglewood, CA
Icing Prep & SOP	1	6	Inglewood, CA
Filling Prep & SOP	1	2	Inglewood, CA
Toppings Prep & SOP	0.5	8	Inglewood, CA
Cleaning Equipment	0.5	2	Inglewood, CA
Production Goals & Par Sheets	1.5	2	Inglewood, CA
Waste Sheets	0.5	1	Inglewood, CA
<b>TOTAL</b>	<b>27</b>	<b>155</b>	

Ismael Garcia, Sansmark’s master baker with over 20 years of experience with the RANDY’S DONUTS system, and Samara Friedman, our Vice President Operations, will train and/or supervise franchisee training conducted by other qualified team members. Mr. Garcia’s experience covers all aspects of donut preparation from start to finish, including mixing and preparing dough, proofing, frying, glazing, and decorating. He has provided training in baking production overview; equipment maintenance, safety, and sanitation; baking equipment and tools; mixing batters; preparing and cutting dough; prep and use of proofer, fryer, and glazer; and icing equipment, fillers, and topping applicators. Ms. Friedman has over 18 years of restaurant training experience with fast-casual, casual, and full-dining restaurant concepts. Having become familiar with all aspects of a RANDY’S DONUTS Shop as our Vice President Operations, she will train and/or supervise franchisee training on all aspects of Shop management and sales. The rest of our training team and managers also lead all hands-on and instructor-led training; all of them have adequate training and appropriate knowledge to facilitate training in the areas they will teach based on their involvement with our system.

We will send an “opening team” to the Shop for up to 2 weeks (typically starting before and continuing after opening) to help train your supervisory employees on our philosophy and Brand Standards (but not matters relating to labor relations and employment practices) and prepare the Shop for opening. While we will pay our opening team’s wages, you must pay the

opening team’s travel, hotel, and living expenses. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase (excluding training relating to labor relations and employment practices), you must pay our personnel’s daily charges (including wages) and travel, hotel, and living expenses. We have the right to delay the Shop’s opening until all required training has been satisfactorily completed. (Franchise Agreement—Section 6.C)

### Retraining

If your Operator fails to complete initial training to our satisfaction, or we determine after an inspection that retraining is necessary because the Shop is not operating according to Brand Standards, he or she may attend a retraining session for which we have the right to charge our then-current training fee. Our fee for supplemental and ongoing training ranges from \$300 to \$500 per trainer per day plus expenses. You must pay all employee compensation and expenses during retraining. We have the right to terminate the Franchise Agreement if your Operator (or a replacement) fails to complete initial training to our satisfaction. (Franchise Agreement—Section 6.B)

### Training for Replacement Operators

If you no longer employ the Operator or become aware that the Operator intends to leave his or her position, you must immediately seek a new operator for the Shop (the “Replacement Operator”) in order to protect the RANDY’S DONUTS brand. You must appoint the Replacement Operator within 30 days after the former Operator’s employment ends. The Replacement Operator must satisfactorily complete training appropriate for the position. You must pay our then-current training fee for all Replacement Operators hired during the franchise term as well as their compensation and expenses during training. (Franchise Agreement—Section 6.E) Our fee for supplemental and ongoing training ranges from \$300 to \$500 per trainer per day plus expenses.

### Training for Shop Employees

Your Operator and Shop manager must properly train all Shop employees to perform the tasks for their respective positions. We may develop and make available training tools and recommendations for you to use in training the Shop’s employees to comply with Brand Standards. We may update these training materials to reflect changes in our training methods and procedures and changes in Brand Standards. (Franchise Agreement—Section 6.F)

### Ongoing and Supplemental Training

We have the right to require your Operator and Shop manager to attend and complete satisfactorily various training courses and programs that we or third parties periodically offer during the franchise term at the times and locations we designate. You must pay their compensation and expenses during training. We have the right to charge our then-current fee for continuing and advanced training. If you request training courses or programs to be provided locally, then subject to our training personnel’s availability, you must pay our then-current training fee and our training personnel’s travel and living expenses. (Franchise Agreement—

Section 6.D) Our fee for supplemental and ongoing training ranges from \$300 to \$500 per trainer per day plus expenses.

Besides attending and/or participating in various training courses and programs, at least 1 of your representatives (an owner or another designated representative we approve) must at our request attend an annual meeting of all RANDY'S DONUTS Shop franchisees at a location we designate. You must pay all costs to attend. You must pay any meeting fee we charge even if your representative does not attend (whether or not we excuse that non-attendance). (Franchise Agreement—Section 6.D)

## **Item 12** **TERRITORY**

### Franchise Agreement

You will operate the Shop at a specific location we first must accept. (We do not “approve” sites; we “accept” them under the circumstances described in Item 11.) If the Shop’s address is unknown when the Franchise Agreement is signed, you must obtain our written acceptance of, and secure, a site within 6 months afterward. In that case, we will identify in the Franchise Agreement a non-exclusive Site Selection Area in which you must search for a suitable site. We have the right to terminate the Franchise Agreement if we do not accept, and you do not secure, the Shop’s site within 6 months. You may operate the Shop only at that site and may not relocate without our prior written consent, which we have the right to grant or deny as we deem best. Whether or not we will allow relocation depends on circumstances at the time and what is in the Shop’s and our system’s best interests. Factors include, for example, the new site’s market area, its proximity to other Shops in our system, whether you are in compliance with your Franchise Agreement, and how long it will take you to open at the new site.

Conditions for relocation approval are (1) the new site and its lease are acceptable to us, (2) you pay us a reasonable relocation fee (as set forth in the Operations Manual), (3) you reimburse any costs we incur during the relocation process, (4) you confirm that your original Franchise Agreement remains in effect and governs the Shop’s operation at the new site with no change in the franchise term or, at our option, sign our then-current form of franchise agreement to govern the Shop’s operation at the new site for a new franchise term, (5) you sign a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (6) you continue operating the Shop at its original site until we authorize its closure, and (7) you de-brand and de-identify the Shop’s former premises within the timeframe we specify and at your own expense so it no longer is associated in any manner (in our opinion) with our system and the Marks.

You will receive an Area of Protection around your Shop. We will identify and describe the Area of Protection in the Franchise Agreement before you sign it unless you have not yet found and secured the Shop’s site. In that case, we will define the Area of Protection after you find and secure the site within the Site Selection Area. Except in high-density population centers, a Shop’s Area of Protection consists of the area inside a circle whose center lies at the Shop’s front door and whose radius extends outward from the circle’s center. The radius for your Shop depends on your market area, including population density, drive times, and similar factors.

There is no set minimum or maximum radius. However, we do not anticipate (as a general rule) that the radius will ever be less than 2 miles from the Shop unless the Shop is located in the downtown area of a major city, in which case the radius could be as small as several blocks. Your Shop's specific radius will be somewhere in that range depending on your specific market and circumstances. However, if you operate in a Non-Traditional Venue (if you are a franchisee with access to that type of location), your Area of Protection might be limited to the physical footprint of the specific site/premises. We have the right to modify the Area of Protection during the franchise term only if the Shop relocates.

During the franchise term, we and our affiliates will not, except with respect to Non-Traditional Venues, own or operate, or allow another franchisee or licensee to own or operate, another RANDY'S DONUTS Shop that has its physical location within the Area of Protection. Because of these reserved rights at Non-Traditional Venues, 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. The Area of Protection always will be defined and deemed to exclude any and all Non-Traditional Venues physically located within the Area of Protection. This means there are no restrictions whatsoever on our and our affiliates' activities in or at Non-Traditional Venues physically located within the Area of Protection, including our and our affiliates' right to own and operate and grant others the right to own and operate RANDY'S DONUTS Shops, and to engage in other foodservice operations under the Marks, in or at such Non-Traditional Venues. A "Non-Traditional Venue" means a hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater, or similar venue.

Except for your location rights described above (which are subject to our and our affiliates' rights at Non-Traditional Venues physically located within the Area of Protection), we and our affiliates retain all rights with respect to RANDY'S DONUTS Shops, the Marks, the sale of similar or dissimilar products and services, and any other activities we and they deem appropriate, whenever and wherever we and they desire, whether inside or outside the Area of Protection. Those rights include the following:

(1) to own and operate, and to allow other franchisees and licensees to own and operate, RANDY'S DONUTS Shops at any locations outside the Area of Protection (including at the boundary of the Area of Protection) and on any terms and conditions we and they deem appropriate;

(2) to offer and sell, and to allow others to offer and sell, inside and outside the Area of Protection, and on any terms and conditions we deem appropriate, products and services that are identical or similar to and/or competitive with those offered and sold by RANDY'S DONUTS Shops, whether identified by the Marks or other trademarks or service marks, through any distribution channels (including the Internet) other than RANDY'S DONUTS Shops physically located within the Area of Protection;

(3) to establish and operate, and to allow others to establish and operate, anywhere (including inside or outside the Area of Protection) businesses offering similar products and services under trademarks and service marks other than the Marks;

(4) to acquire the assets or ownership interests of one or more businesses offering and selling products and services similar to those offered and sold at RANDY'S DONUTS Shops (even if such a business operates, franchises, or licenses "Competitive Businesses"), and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating, including within the Area of Protection;

(5) to be acquired (through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling products and services similar to those offered and sold at RANDY'S DONUTS Shops, or by another business, even if such a business operates, franchises, or licenses Competitive Businesses inside or outside the Area of Protection; and

(6) to engage in all other activities the Franchise Agreement does not expressly prohibit.

We and our affiliates need not compensate you if we engage in these activities.

Unless you acquire development rights (described below), you have no options, rights of first refusal, or similar rights to acquire additional franchises. Although we have the right to do so (as described above), we and our affiliates have not yet established, and have no current plans to establish, other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark.

Continuation of your franchise does not depend on your achieving a certain sales volume, market penetration, or other contingency.

Your right to operate the Shop is limited to products prepared and sold, and services provided, at the Shop's physical location; it does not include the right to distribute products and services over the Internet or to engage in other supply or distribution channels anywhere. However, you have the right to deliver the Shop's products away from the Shop's location, using both employed delivery staff and third-party delivery services, if you comply with all Brand Standards for delivery services. Those Brand Standards may include, among other things, limitations on where or how far away from your Shop you may deliver those products and requirements for using third-party delivery services. Under no circumstances may you deliver the Shop's products within another franchisee's area of protection.

You have no right to develop, maintain, or authorize any website, online presence, or electronic medium mentioning or describing the Shop or displaying any Marks without our prior written approval. Except for our System Website, you have no right to conduct commerce or directly or indirectly to offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet. You have the right to use other distribution channels in your Area of Protection, such as telemarketing or other direct marketing, only if we approve the materials and programs.

## Development Rights Agreement

You may (if you qualify) develop and operate a number of RANDY'S DONUTS Shops within a specific territory (the "Territory"). We and you will identify the Territory in the Development Rights Agreement before signing it. The Territory typically is a city, cities, or counties. We base the Territory's size primarily on the number of RANDY'S DONUTS Shops you agree to develop, demographics, and site availability. We will determine the number of Shops you must develop, and the deadlines for development, to keep your development rights. We and you then will complete the schedule in the DRA before signing it. Under the DRA, we first must accept each new site you propose for each new RANDY'S DONUTS Shop. After we accept (and you secure lawful possession of) a proposed site, we also will determine the Area of Protection for that Shop. Our then-current standards for sites and Areas of Protection will apply. We have the right to terminate the DRA if you do not satisfy your development obligations. You have no right to develop or operate RANDY'S DONUTS Shops outside the Territory.

You will not receive an exclusive territory under the DRA. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. While the DRA is in effect, we (and our affiliates) will not—except as permitted below at or within "Restricted Venues"—establish and operate or grant others the right to establish and operate RANDY'S DONUTS Shops having their physical locations within the Territory. If:

(1) there are one or more opportunities during the DRA's term to develop one or more RANDY'S DONUTS® Shops at physical locations within the Territory that you cannot or choose not to pursue when the opportunity becomes available, no matter the reason (including if a location's owner or manager sets financial, experience, or organizational standards for an acceptable operator that you cannot or do not then satisfy); or

(2) a location is at or within a Non-Traditional Venue (which is defined to mean a hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater, or similar venue) (the locations referenced in clauses (i) and (ii) are referred to collectively as "Restricted Venues"),

then we (or our affiliates) may without restriction pursue the particular Restricted Venue opportunity and establish, or franchise or license another to establish, a RANDY'S DONUTS Shop at or within that Restricted Venue.

Our, our affiliate's, or another franchisee's or licensee's establishment and operation of any RANDY'S DONUTS Shop at or within a Restricted Venue in the Territory that is not a Non-Traditional Venue will count toward the total number of RANDY'S DONUTS Shops that you must develop in the Territory during the DRA's term, meaning that you may choose to develop one less RANDY'S DONUTS Shop (based on the number of RANDY'S DONUTS Shops remaining to be developed in the Territory under the development schedule) for each such Shop established by us, our affiliate, or another franchisee or licensee. If you make that choice, the then-final RANDY'S DONUTS Shop appearing on the development schedule will be



deemed to be removed from the schedule (and you will receive a certain fee credit, described in Item 5, toward a future initial franchise fee due).

However, our, our affiliate's, or another franchisee's or licensee's establishment and operation of a RANDY'S DONUTS Shop at or within a Restricted Venue in the Territory that is a Non-Traditional Venue will not count toward your compliance with the development schedule. RANDY'S DONUTS Shops that you or your Approved Affiliates are permitted to establish and operate at or within a Non-Traditional Venue physically located in the Territory likewise do not count toward your compliance with the development schedule.

The location rights described above (with the noted exceptions for Restricted Venues) are the only restriction on our (and our affiliates') activities within the Territory during the development term. We have the right to terminate the DRA if you do not satisfy your development obligations.

Despite the development schedule in the DRA, we have the right to delay your development and/or opening of additional RANDY'S DONUTS Shops within the Territory if we believe, when you apply for another Shop, or after you (or your Controlled Affiliate) have developed and constructed but not yet opened a particular Shop, that you (or your Controlled Affiliate) are not yet operationally, managerially, or otherwise prepared (no matter the reason) to develop, open, and/or operate the additional Shop in full compliance with our standards and specifications. We have the right to delay additional development and/or a Shop's opening for the time period we deem best if the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

Except as described above, continuation of your territorial protection does not depend on your achieving a certain sales volume, market penetration, or other contingency. We do not have the right to alter your Territory during the DRA term. Although we have the right to do so, we and our affiliates have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark.

**Item 13**  
**TRADEMARKS**

You have the right to use certain Marks in operating the Shop. We own and have registered the following principal Marks on the Principal Register of the United States Patent and Trademark Office (the "USPTO"):

MARK	REGISTRATION NUMBER	REGISTRATION DATE
"RANDY'S DONUTS	5,447,538	04/17/2018

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	5,501,049	06/26/2018
	5,528,161	07/31/2018
	7,096,924	07/04/2023

We have filed or will file all required affidavits when due. We intend to renew all Marks when due if they remain important to the RANDY'S DONUTS brand.

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

You must follow our rules and other Brand Standards when using the Marks, including giving proper notices of trademark and service mark registration and obtaining required fictitious or assumed-name registrations. You have no right to use any Mark as part of your corporate or legal business name; with modifying words, terms, designs, or symbols (other than logos we license to you); in selling any unauthorized products or services; as part of any domain name, homepage, electronic address, metatag, or otherwise in connection with a website or other online presence; or in any username, screen name, or profile associated with any Social Media sites (except in compliance with our guidelines).

If we believe at any time that it is advisable for us and/or you to modify, discontinue using, and/or replace any Mark, and/or to 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 your expenses to comply with those directions (such as your costs to change signs or replace supplies for the Shop), any loss of revenue due to any modified or

discontinued Mark, or your expenses to promote a modified or substitute trademark or service mark.

You must notify us immediately of any actual or apparent infringement or challenge to your use of any Mark, any person's claim of any rights in any Mark (or any identical or confusingly similar trademark), or unfair competition relating to any Mark. You have no right to communicate with any person other than us, our attorney, and your attorney regarding any infringement, challenge, or claim. We have the right to take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You must sign any documents and take any other reasonable actions that we and our attorney deem necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our interests in the Marks.

We will reimburse your damages and expenses incurred in any trademark infringement proceeding disputing your authorized use of any Mark, provided your use has been consistent with the Franchise Agreement, the Operations Manual, and Brand Standards communicated to you and you have timely notified us of, and complied with our directions in responding to, the proceeding. At our option, we and/or our affiliates may defend and control the defense of any proceeding arising from or relating to your use of any Mark.

The Development Rights Agreement does not grant you the right to use the Marks. These rights arise only under Franchise Agreements you sign with us.

#### **Item 14**

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

No patents or patent applications are material to the franchise. We and our affiliates claim copyrights in the Operations Manual (containing our trade secrets and Confidential Information), Shop blueprints and other design features, signage, advertising and marketing materials, our System Website, and similar items used in operating RANDY'S DONUTS Shops. We and our affiliates have not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You have the right to use copyrighted items only as we specify while operating your Shop (and must stop using them at our direction). You have no other rights under the Franchise Agreement to a copyrighted item if we require you to modify or discontinue using the subject matter covered by the copyright.

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

We do not actually know of any infringing uses of our copyrights that could materially affect your using them in any state. We need not protect or defend copyrights, although we intend to do so if in the system's best interests. We have the right to control any action we choose to bring, even if you voluntarily bring the matter to our attention. You must follow any instructions we give you. We need not participate in your defense of and/or indemnify you for damages or expenses incurred in a copyright proceeding.

Our Operations Manual and other materials contain our and our affiliates' Confidential Information (some of which are trade secrets under applicable law). Confidential Information includes information in the Operations Manual (including ingredients, recipes, and food-preparation techniques) and Brand Standards; layouts, designs, and other Plans for RANDY'S DONUTS Shops; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating RANDY'S DONUTS Shops; marketing research and promotional, marketing, and advertising programs for RANDY'S DONUTS Shops; strategic plans, including expansion strategies and targeted demographics; knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, products, materials, and supplies that RANDY'S DONUTS Shops use and sell; knowledge of operating results and financial performance of RANDY'S DONUTS Shops other than your Shop; customer solicitation, communication, and retention programs, along with data and information used or generated in connection with those programs; and information generated by, or used or developed in, operating your Shop, including Consumer Data, and any other information contained in the Computer System or that visitors (including you) provide to the System Website. "Consumer Data" means the names, addresses, telephone numbers, email addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of customers. You must comply with all laws governing the use, protection, and disclosure of Consumer Data.

If there is a data security incident at the Shop, you must notify us immediately, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the data security incident in order to protect Consumer Data and the RANDY'S DONUTS Shop brand (including giving us or our designee access to your Computer System, whether remotely or at the Shop).

You may not use Confidential Information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure agreements with those having access to Confidential Information. We have the right to pre-approve your non-disclosure agreements solely to ensure that you adequately protect Confidential Information and the competitiveness of RANDY'S DONUTS Shops. Under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations or employment practices.

You must promptly disclose to us all ideas, concepts, techniques, or materials relating to a RANDY'S DONUTS Shop ("Innovations"), whether or not protectable intellectual property and whether created by or for you or your owners, employees, or contractors. Innovations belong to and are works made-for-hire for us. If any Innovation does not qualify as a "work made-for-hire" for us, you assign ownership of 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 periodically request to evidence our ownership and to help us obtain intellectual property rights in the Innovation. You have no right to use any Innovation in operating the Shop without our prior written approval.

The Development Rights Agreement does not grant you rights to use any intellectual property. These rights arise only under Franchise Agreements you sign with us.

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

Brand Standards may require adequate staffing levels for the Shop to operate in compliance with Brand Standards and address appearance of Shop personnel and courteous service to customers. However, you have sole responsibility and authority for your labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions.

You must designate one of your individual owners to serve as your “Managing Owner.” We must approve the proposed Managing Owner or any change in the Managing Owner. The Managing Owner is responsible for managing your business. The Managing Owner will communicate with us directly regarding Shop-related matters and must have sufficient authority to make decisions for you and the Shop. The Managing Owner’s decisions will be final and bind you.

You also must designate an individual, who need not have an ownership interest in you, to be the Shop’s “Operator” (the Managing Owner also may be the Operator). The Operator is responsible for the Shop’s overall operation on a day-to-day basis and implements the Managing Owner’s decisions. The Operator must successfully complete initial training before you open the Shop to the public. If the Operator fails to complete initial training to our satisfaction, you must appoint another individual to serve as the Operator, and that individual must complete initial training to our satisfaction. The Operator (if not also the Managing Owner) must sign confidentiality and other agreements (including non-compete agreements) we specify or pre-approve.

The Shop must have one fully-trained manager and 3 fully-trained bakers. The Operator is responsible for the Shop manager’s performance. A Shop manager need not have an equity interest in you or the Shop. Shop managers (if not also the Operator) and your officers and directors must sign confidentiality and other agreements (including non-compete agreements) we specify or pre-approve. Our right to pre-approve your forms is solely to protect Confidential Information and the competitiveness of RANDY’S DONUTS Shops. Under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations or employment practices.

If you propose to change the Managing Owner, you must seek a new individual (the “Replacement Managing Owner”) for that role and appoint the Replacement Managing Owner within 30 days after the former Managing Owner’s last day. The Replacement Managing Owner must attend our initial orientation session within 30 days after we approve him or her. (Item 6 describes related costs.)

If you propose to change the Operator, you must seek a new individual (the “Replacement Operator”) for that role and appoint the Replacement Operator within 30 days after the former Operator’s last day. The Replacement Operator must satisfactorily complete training within 30 days after he or she is hired. (Item 6 describes related costs.)

Each of your owners with at least a 5% ownership interest in you, and any other owner we designate, must personally guarantee all of your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. This “Guaranty and Assumption of Obligations” is Exhibit B-1 of the Franchise Agreement. Each owner not holding at least a 5% ownership interest in you must sign an “Owner’s Undertaking of Non-Monetary Obligations” (Exhibit B-2 of the Franchise Agreement) undertaking to be bound personally by specific non-monetary provisions in the Franchise Agreement. An owner’s spouse need not sign either document unless that spouse has an ownership interest in you.

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

The Shop must offer for sale all products and services we periodically specify. The Shop may not offer, sell, or otherwise distribute at the Shop premises or another location any products or services we have not authorized. There are no limits on our right to modify the products and services your Shop must or may offer and sell. Brand Standards may regulate (to the extent the law allows) maximum, minimum, or other pricing requirements for products and services the Shop sells, including requirements for national, regional, and local promotions, special offers, and discounts in which some or all RANDY’S DONUTS Shops must participate and price advertising policies. Brand Standards also may regulate delivery services, including your obligation to deliver products to customers, to engage with third-party food-ordering and delivery systems, and to ring up and account for delivery charges not included in the price of products only in the manner we permit.

Your right to operate the Shop is limited to products prepared and sold, and services provided, at the Shop’s physical location; it does not include the right to distribute products and services over the Internet or to engage in other supply or distribution channels. However, you have the right to deliver the Shop’s products away from the Shop’s location, using both employed delivery staff and third-party delivery services, if you comply with all Brand Standards for delivery services. Those Brand Standards may include, among other things, limitations on where or how far away from your Shop you may deliver those products and requirements for using third-party delivery services. Under no circumstances may you deliver the Shop’s products within another franchisee’s area of protection. There otherwise are no limits on the customers to whom your Shop may sell products.

*[Item 17 begins on next page]*

**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.**

Franchise Agreement

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the franchise term	3.B of Franchise Agreement	Starts on date Franchise Agreement is signed and expires 10 years from first day of Shop's lease.
b. Renewal or extension of the term	17 of Franchise Agreement	If you are in good standing, you have the right to acquire successor franchise for 10 years on our then-current terms.
c. Requirements for franchisee to renew or extend	17 of Franchise Agreement	You timely request business review; substantially complied with contractual obligations and operated Shop in substantial compliance with Brand Standards; remodel/upgrade or relocate Shop (at our option); sign then-current form of franchise agreement and releases (if applicable state law allows); and pay successor franchise fee. Terms of our new franchise agreement that you sign for successor franchise may differ materially from any and all terms contained in your original expiring franchise agreement (including higher fees and a modified or smaller Area of Protection).
d. Termination by franchisee	18.A of Franchise Agreement	If we breach Franchise Agreement and do not cure default within applicable cure period after notice from you; you have no right to terminate without cause (subject to applicable state law).
e. Termination by franchisor without cause	18.B of Franchise Agreement	We do not have the right to terminate your Franchise Agreement without cause.
f. Termination by franchisor with cause	18.B of Franchise Agreement	We have the right to terminate your Franchise Agreement only if you or your owners commit one of several violations.  While termination of the Development Rights Agreement does not impact any then-effective franchise agreements, termination of a Franchise Agreement entitles us to terminate the Development Rights Agreement.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
g. “Cause” defined — curable defaults	18.B of Franchise Agreement	<p>You have 5 days to cure monetary and insurance defaults; 10 days to satisfy unpaid judgments of at least \$25,000; 15 days to cure violations of material law; 30 days to pay suppliers and to cure other defaults not listed in (h) below; and 60 days to vacate attachment, seizure, or levy of Shop or appointment of receiver, trustee, or liquidator.</p> <p>While termination of the Development Rights Agreement does not impact any then-effective franchise agreements, termination of a Franchise Agreement entitles us to terminate the Development Rights Agreement.</p>
h. “Cause” defined — non-curable defaults	18.B of Franchise Agreement	<p>Non-curable defaults include: material misrepresentation or omission; failure to complete initial training to our satisfaction; failure to find and secure acceptable site by deadline; failure to develop and open Shop (with fully-trained staff) by deadline; abandonment or failure to operate for more than 3 consecutive days; unapproved transfer; felony conviction or guilty plea; dishonest, unethical, or immoral conduct adversely impacting our Marks; foreclosure on Shop’s assets; misuse of confidential information; violation of non-compete; material underreporting of Gross Sales; failure to pay taxes due; repeated defaults; assignment for benefit of creditors or admission of inability to pay debts when due; violation of anti-terrorism laws; losing rights to Shop premises; causing or contributing to a data security incident or failure to comply with requirements to protect Consumer Data; or we send notice of termination under another franchise agreement with you or your affiliates, or you or your affiliates terminate another franchise agreement with us without cause.</p> <p>Termination of the Development Rights Agreement does not impact any then-effective franchise agreement.</p>



<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
i. Franchisee’s obligations on termination/nonrenewal	18.C and 19 of Franchise Agreement	Obligations include paying outstanding amounts; complete de-identification; returning confidential information; returning or destroying (at our option and at your own cost) branded materials and proprietary equipment and other items; assigning telephone and telecopy numbers and directory listings; and assigning or cancelling any website or other online presence or electronic media associating you with us or the Marks (also see (o) and (r) below); we have the right to control de-identification process if you do not voluntarily take required action; we have the right to assume the Shop’s management while deciding whether to buy Shop’s assets.
j. Assignment of contract by franchisor	16.A of Franchise Agreement	No restriction on our right to assign; we have the right to assign without your approval.
k. “Transfer” by franchisee — defined	16.B of Franchise Agreement	Includes transfer of (i) Franchise Agreement; (ii) Shop or its profits, losses, or capital appreciation; (iii) all or substantially all Operating Assets; or (iv) ownership interest in you or controlling ownership interest in entity with ownership interest in you. Also includes pledge of Franchise Agreement or ownership interest.
l. Franchisor approval of transfer by franchisee	16.B of Franchise Agreement	We must approve all transfers; no transfer without our prior written consent.
m. Conditions for franchisor approval of transfer	16.C of Franchise Agreement	<p>We will approve transfer of non-controlling ownership interest in you if transferee (and each owner) qualifies and meets our then-applicable standards for non-controlling owners, is not (and has no affiliate) in a competitive business, signs our then-current form of guaranty (or, if applicable, Owner’s Undertaking of Non-Monetary Obligations), and pays transfer fee.</p> <p>When there is transfer of franchise rights or controlling ownership interest, we will not unreasonably withhold our approval if: transferee (and each owner) qualifies (including, if transferee is an existing franchisee, transferee is in substantial operational compliance under all other franchise agreements for RANDY’S DONUTS Shops) and is not restricted by another agreement from moving forward with the transfer; you have paid us and our affiliates all amounts due, have submitted all reports, and are not then in breach; transferee and its owners and affiliates are not in a competitive business; training</p>

Provision	Section in franchise or other agreement	Summary
		completed; transfer fee paid; transferee may occupy Shop’s site for expected franchise term; transferee (at our option) assumes your Franchise Agreement or signs our then-current form of franchise agreement and other documents for unexpired portion of your original franchise term (then-current form may have materially different terms except that your original Royalty and Brand Fund contribution levels and the definition of Area of Protection will remain the same for unexpired portion of your original franchise term); transferee agrees to repair and upgrade; you (and transferring owners) sign general release (if applicable state law allows); we determine that sales terms and financing will not adversely affect Shop’s operation post-transfer; you subordinate amounts due to you; and you stop using Marks and our other intellectual property (also see (r) below).
n. Franchisor’s right of first refusal to acquire franchisee’s business	16.G of Franchise Agreement	We have the right to match any offer for your Shop or ownership interest in you or entity that controls you.
o. Franchisor’s option to purchase franchisee’s business	19.F of Franchise Agreement	We have the right to buy Shop’s assets at fair market value and take over site after Franchise Agreement is terminated or expires (without renewal).
p. Death or disability of franchisee	16.E of Franchise Agreement	Must transfer to approved party within 6 months; we have the right to operate Shop in interim if it is not then managed properly.
q. Non-competition covenants during the term of the franchise	12 of Franchise Agreement	No owning interest in, performing services for, or loaning money or guaranteeing loan to competitive business, wherever located or operating, and no diverting business to competitive business. “Competitive Business” means any (a) business that manufactures, distributes, or sells donuts, donut-based products, or donut-related products, or (b) business that derives more than 25% of its revenue from selling coffee, or (c) business granting franchises or licenses to others to operate the types of businesses described in clauses (a) or (b).  Enforcement of non-compete provision is subject to applicable state law.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
r. Non-competition covenants after the franchise is terminated or expires	19.E of Franchise Agreement	For 2 years after franchise term, no owning interest in or performing services for Competitive Business located or operating at Shop's site, within 10 miles of Shop's site, or within 5 miles of another RANDY'S DONUTS Shop (same restrictions apply after transfer).  Enforcement of non-compete provision is subject to applicable state law.
s. Modification of the agreement	21.K of Franchise Agreement	No modifications generally, but we have the right to change Operations Manual and Brand Standards.
t. Integration/merger clause	21.M of Franchise Agreement	Only terms of Franchise Agreement and other documents you sign with us are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.  Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in this disclosure document, its exhibits, and amendments.
u. Dispute resolution by arbitration or mediation	21.F of Franchise Agreement	We and you must arbitrate all disputes within 10 miles of where we have our principal business address when the arbitration demand is filed (it currently is in Inglewood, California).  The provision above is subject to state law (except to the extent preempted by federal law).
v. Choice of forum	21.H of Franchise Agreement	Subject to arbitration requirements, litigation must be (with limited exception) in courts closest to where we, as franchisor, have our principal business address when the action is commenced (it currently is in Inglewood, California) (subject to applicable state law).
w. Choice of law	21.G of Franchise Agreement	Federal law and law of state where Shop is located.

**This table lists certain important provisions of the development rights agreement. You should read these provisions in the agreement attached to this disclosure document.**

Development Rights Agreement

<b>Provision</b>	<b>Section in Development Rights Agreement</b>	<b>Summary</b>
a. Length of the franchise term	6	Term expires on date when final RANDY'S DONUTS Shop under Schedule opens for business (subject to earlier termination).
b. Renewal or extension of the term	Not applicable	You have no right to renew or extend development rights.
c. Requirements for franchisee to renew or extend	Not applicable	You have no right to renew or extend development rights.
d. Termination by franchisee	Not applicable	You have no contractual right to terminate Development Rights Agreement (except as state law allows).
e. Termination by franchisor without cause	Not applicable	We have no right to terminate Development Rights Agreement without cause.
f. Termination by franchisor with cause	7	We have right to terminate Development Rights Agreement if you commit one of several violations.
g. "Cause" defined — curable defaults	Not applicable	No default under the Development Rights Agreement is curable.
h. "Cause" defined — non-curable defaults	7	Non-curable defaults are your failure to satisfy development Schedule, your breach of any other obligation, we terminate any franchise agreement with you or your Approved Affiliate in compliance with its terms, you (or an Approved Affiliate) terminate any franchise agreement with us for any (or no) reason, we deliver formal written notice of default to you (or your Approved Affiliate) under a franchise agreement and you (or your Approved Affiliate) fail to cure the default within the required timeframe, or you (or your Approved Affiliate) cease operating any RANDY'S DONUTS Shop Restaurant without our prior written approval.
i. Franchisee's obligations on termination/nonrenewal	1 and 7	Upon termination or expiration of Development Rights Agreement, you will lose all rights to develop RANDY'S DONUTS Shops in your Territory.
j. Assignment of contract by franchisor	8	No restriction on our right to sell or transfer Development Rights Agreement or our ownership interests without your approval.
k. "Transfer" by franchisee — defined	8	Includes transfer of Development Rights Agreement or any ownership interest in you or your owner (if that owner is an entity).

<b>Provision</b>	<b>Section in Development Rights Agreement</b>	<b>Summary</b>
l. Franchisor approval of transfer by franchisee	8	No transfers without our prior written consent; development rights are not assignable.
m. Conditions for franchisor approval of transfer	8	Development rights are not assignable; we have the right to grant or withhold consent for any or no reason.
n. Franchisor's right of first refusal to acquire franchisee's business	Not applicable	The Development Rights Agreement does not contain this provision.
o. Franchisor's option to purchase franchisee's business	Not applicable	The Development Rights Agreement does not contain this provision.
p. Death or disability of franchisee	Not applicable	The Development Rights Agreement does not contain this provision.
q. Non-competition covenants during the term of the franchise	11	<p>No owning interest in, performing services for, or loaning money or guaranteeing loan to competitive business, wherever located or operating, and no diverting business to competitive business. "Competitive Business" means any (a) business that manufactures, distributes, or sells donuts, donut-based products, or donut-related products, or (b) business that derives more than 25% of its revenue from selling coffee, or (c) business granting franchises or licenses to others to operate the types of businesses described in clauses (a) or (b).</p> <p>Enforcement of non-compete provision is subject to applicable state law.</p>
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	The Development Rights Agreement does not contain this provision. You and your owners will be bound by the restrictions under the Franchise Agreement.
s. Modification of the agreement	11	No modifications without signed writing.
t. Integration/merger clause	11	<p>Only terms of Development Rights Agreement and other documents you sign with us are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Development Rights Agreement may not be enforceable.</p> <p>Notwithstanding the foregoing, nothing in the Development Rights Agreement or in any other related written agreement is intended to disclaim representations made in this franchise disclosure document, its exhibits, and amendments.</p>

Provision	Section in Development Rights Agreement	Summary
u. Dispute resolution by arbitration or mediation	11	We and you must arbitrate all disputes within 10 miles of where we have our principal business address when the arbitration demand is filed (it currently is in Inglewood, California).  The provision above is subject to state law (except to the extent preempted by federal law).
v. Choice of forum	11	Subject to arbitration requirements, litigation must be (with limited exception) in courts closest to where we, as franchisor, have our principal business address when the action is commenced (it currently is in Inglewood, California) (subject to applicable state law).
w. Choice of law	11	Federal law and law of state where Shop is located.

**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.

This financial performance representation reflects actual historical average, median, and high/low annual Gross Sales information for the full 12-month period from January 1, 2023, through December 31, 2023 (the “2023 Measured Period”) for the following RANDY’S DONUTS Shops that were open for business during the entire 2023 Measured Period:

(1) all 11 RANDY’S DONUTS Shops (7 affiliate-owned and 4 franchised), regardless of the type of location at which each Shop operates (but excluding the affiliate-owned Inglewood, California location described below);

(2) separately for all 7 affiliate-owned RANDY'S DONUTS Shops, regardless of the type of location at which each Shop operates (but excluding the affiliate-owned Inglewood, California location described below);

(3) separately for all 4 franchised RANDY'S DONUTS Shops, all of which operate at "in-line" locations (one of which opened in January 2023 and one of which was transferred to a new franchisee during 2023);

(4) separately for all 8 affiliate-owned and franchised RANDY'S DONUTS Shops (4 of each) operated at "in-line" locations;

(5) separately for all 3 affiliate-owned RANDY'S DONUTS Shops operated at "drive-thru" locations (but excluding the affiliate-owned Inglewood, California location described below); and

(6) separately for all 4 affiliate-owned RANDY'S DONUTS Shops operated at "in-line" locations.

The affiliate-owned RANDY'S DONUTS Shops are located and operate in California (6) and Nevada (1), and the franchised RANDY'S DONUTS Shops are located and operate in California (3) and Nevada (1). The franchised Nevada Shop is located within a casino.

Excluded from this Item 19 are the following RANDYS DONUTS Shops:

(1) Our affiliated 70-year-old iconic Shop in Inglewood, California that, due to its famous history and being a tourist-attraction, is not representative of the types of RANDYS DONUTS Shops for which we offer franchises;

(2) An affiliated RANDY'S DONUTS Shop located in Charleston, Nevada that opened for business in February 2023 and therefore was not open during the entire 2023 Measured Period;

(3) Two franchised RANDY'S DONUTS Shops located in California that opened for business in May 2023 and June 2023, respectively, and therefore were not open during the entire 2023 Measured Period; and

(4) Two franchised RANDY'S DONUTS Shops located in California that permanently closed during 2023 (one of which had been open for less than one year) and therefore were not open during the entire 2023 Measured Period.

The 11 RANDY'S DONUTS Shops whose results are included in this financial performance representation are substantially similar to the drive-thru and in-line RANDY'S DONUTS Shops for which we offer franchises in this disclosure document, including offering and selling the same products. We expect that a franchised Shop's minimum hours of operation would be 7 days a week from 6 a.m. until 6:00 p.m. for an "inline" location and from 5 a.m. until 11:00 p.m. for a drive-thru location. However, a franchised Shop's permitted days and hours of operation will be impacted by what is allowed by the city and county in which the Shop is

located. Therefore, its operating hours might be shorter than the operating hours of the Shops whose results appear below.

The affiliate-owned drive-thru Shops have a building with an average of approximately 2,000 square feet, an average of 12 dedicated parking spaces, indoor and/or outdoor seating ranging from 0 seats to 8 seats, and 2 driveway access points. They are generally located on busy streets with many well-known quick-service restaurants within a few blocks. The affiliate-owned and franchised “inline” locations (i.e., with other stores on either side) range in size from 1,100 square feet to 1,300 square feet. All of these Shops attract both neighborhood customers and business customers.

The actual historical gross sales numbers reported below do 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 independently investigate the costs and expenses you will incur in operating your RANDY’S DONUTS Shop. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

As described in Item 6, “Gross Sales” means the aggregate amount of all revenue and other consideration generated from any source, including from selling products, services, and merchandise (including delivery charges paid for deliveries made by the Shop’s employed staff); other types of revenue received, including the proceeds of business interruption insurance; and the value of products, services, and merchandise bartered in exchange for the Shop’s products, services, or merchandise. Gross Sales exclude, among other things, federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and are reduced by the value of both employee discounts and permitted promotional or marketing discounts offered to the public.

The average Gross Sales of all 11 affiliate-owned and franchised Shops described above during the 2023 Measured Period were \$1,412,908. The Gross Sales of 6 (55%) of the 11 Shops exceeded this average during the 2023 Measured Period. Of the 11 Shops, the highest 12-month Shop Gross Sales were \$2,062,035, the lowest 12-month Shop Gross Sales were \$674,126, and the median 12-month Shop Gross Sales were \$1,400,064.

The average Gross Sales of all 7 affiliate-owned RANDY’S DONUTS Shops during the 2023 Measured Period, regardless of the type of location at which each Shop operates (but excluding the affiliate-owned Inglewood, California location described above), were \$1,623,560. The Gross Sales of 4 (57%) of the 7 Shops exceeded this average during the 2023 Measured Period. Of the 7 Shops, the highest 12-month Shop Gross Sales were \$2,062,035, the lowest 12-month Shop Gross Sales were \$1,182,830, and the median 12-month Shop Gross Sales were \$1,625,076.

The average Gross Sales of all 4 franchised RANDY’S DONUTS Shops during the 2023 Measured Period, all of which are in-line locations, were \$1,044,269. The Gross Sales of 2 (50%) of the 4 Shops exceeded this average during the 2023 Measured Period. Of the 4 Shops, the highest 12-month Shop Gross Sales were \$1,400,064, the lowest 12-month Shop Gross Sales were \$674,126, and the median 12-month Shop Gross Sales were \$1,051,444.



The average Gross Sales during the 2023 Measured Period of all 8 RANDY'S DONUTS Shops operated at in-line locations (4 affiliate-owned and 4 franchised) were \$1,222,590. The Gross Sales of 4 (50%) of the 8 Shops exceeded this average during the 2023 Measured Period. Of the 8 Shops, the highest 12-month Shop Gross Sales were \$1,625,076, the lowest 12-month Shop Gross Sales were \$674,126, and the median 12-month Shop Gross Sales were \$1,243,314.

The average Gross Sales during the 2023 Measured Period of all 3 affiliate-owned RANDY'S DONUTS Shops operated at drive-thru locations (but excluding the affiliate-owned Inglewood, California location described above) were \$1,920,425. The Gross Sales of 2 (67%) of the 3 Shops exceeded this average during the 2023 Measured Period. Of the 3 Shops, the highest 12-month Shop Gross Sales were \$2,062,035, the lowest 12-month Shop Gross Sales were \$1,724,562, and the median 12-month Shop Gross Sales were \$1,974,678.

The average Gross Sales during the 2023 Measured Period of all 4 affiliate-owned RANDY'S DONUTS Shops operated at in-line locations were \$1,400,911. The Gross Sales of 2 (50%) of the 4 Shops exceeded this average during the 2023 Measured Period. Of the 4 Shops, the highest 12-month Shop Gross Sales were \$1,625,076, the lowest 12-month Shop Gross Sales were \$1,182,830, and the median 12-month Shop Gross Sales were \$1,397,869.

Our management prepared this financial performance representation based on unaudited information provided by our affiliates and royalties reported by our franchisees. Written substantiation of all financial information appearing in this financial performance representation will be made available to you upon reasonable request.

**Some RANDY'S DONUTS Shops 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 representation, 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 Mark Kelegian, Quad Queens LLC, 936 W. Florence, Inglewood, California 90301, (424) 371-6500, the Federal Trade Commission, and the appropriate state regulatory agencies.

*[Item 20 begins on next page]*

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

All figures in the tables below are as of December 31 of each year. [The “Company-Owned” outlets referenced in tables 1 and 4 below are owned and operated by one or more of our affiliates.]

Table No. 1

**Systemwide Outlet Summary**  
**For years 2021 to 2023**

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	2021	1	2	+1
	2022	2	5	+3
	2023	5	6	+1
Company-Owned	2021	4	6	+2
	2022	6	8	+2
	2023	8	9	+1
Total Outlets	2021	5	8	+3
	2022	8	13	+5
	2023	13	15	+2

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2021 to 2023**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
California	2021	0
	2022	0
	2023	1

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Total	2021	0
	2022	0
	2023	1

Table No. 3

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

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2021	1	1	0	0	0	0	2
	2022	2	4	0	0	1	0	5
	2023	5	2	1	0	0	1	5
Nevada	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Totals	2021	1	1	0	0	0	0	2
	2022	2	4	0	0	1	0	5
	2023	5	3	1	0	0	1	6

*[Table 4 appears on next page]*

Table No. 4

**Status of Company-Owned Outlets  
For years 2021 to 2023**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
California	2021	4	2	0	0	0	6
	2022	6	0	1	0	0	7
	2023	7	0	0	0	0	7
Nevada	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	1	0	0	0	2
Totals	2021	4	2	0	0	0	6
	2022	6	1	1	0	0	8
	2023	8	1	0	0	0	9

Table No. 5

**Projected Openings as of December 31, 2023**

Column 1 State	Column 2 Franchise Agreements Signed But Outlets Not Opened	Column 3 Projected New Franchised Outlets In the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets In the Next Fiscal Year
Arizona	1	2	0
California	1	2	1
Georgia	1	0	0
Nevada	0	0	2
Total	3	4	3

Exhibit I are lists of (1) our franchisees as of this disclosure document's issuance date, (2) franchisees that had RANDY'S DONUTS Shops terminated, canceled, or not renewed, or that otherwise voluntarily or involuntarily ceased doing business under our Franchise Agreement or Development Rights Agreement, during our last fiscal year, and (3) franchisees that have not communicated with us within 10 weeks of this 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.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the RANDY'S DONUTS Shop franchise system.

### **Item 21** **FINANCIAL STATEMENTS**

Exhibit A contains our audited financial statements for the fiscal years ended December 31, 2023, December 31, 2022, and December 31, 2021, and the related audited statements of operations, members' equity, and cash flows for the periods January 1, 2023, to December 31, 2023, January 1, 2022, to December 31, 2022, and January 1, 2021, to December 31, 2021.

### **Item 22** **CONTRACTS**

The following contracts/documents are exhibits:

1. Franchise Agreement (Exhibit B)
2. Development Rights Agreement (Exhibit C)
3. Franchisee Representations Document (Exhibit F)
4. Form of General Release (Exhibit G)
5. State-Specific Agreement Riders (Exhibit H)

### **Item 23** **RECEIPTS**

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.

**EXHIBIT A**

**FINANCIAL STATEMENTS**

**Quad Queens LLC**

**Financial Statements**

\* \* \* \*

**December 31, 2023 and 2022**



## **Table of Contents**

	<b><u>Page Number</u></b>
<b>Independent Auditors' Report</b>	1 – 2
<b>Financial Statements</b>	
Balance Sheets	3
Statements of Income and Members' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 11





## **Independent Auditors' Report**

To the Members  
Quad Queens LLC  
Inglewood, California

### **Opinion**

We have audited the financial statements of Quad Queens LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Quad Queens LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Quad Queens LLC's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

## **Auditors' 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 error or fraud, and to issue an auditors' 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 error or fraud, 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 Quad Queens 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 Quad Queens 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.

*Magnus Blue LLP*

San Marcos, California  
February 29, 2024

**Quad Queens LLC**  
**Balance Sheets**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,971,223	\$ 1,085,356
Royalties receivable - franchisees	118,248	189,358
Royalties receivable - affiliates	74,477	142,538
Franchise fees receivable	62,500	0
Licensing fee receivable	25,000	0
Prepaid state taxes	5,100	11,900
Prepaid foreign taxes	9,756	4,422
<b>Total Current Assets</b>	<u>2,266,304</u>	<u>1,433,574</u>
<b>Other Assets</b>		
Due from affiliates	1,281,774	635,666
Intangible asset	197,999	187,165
Deferred foreign taxes	65,841	26,681
	<u>\$ 3,811,918</u>	<u>\$ 2,283,086</u>
<b>Liabilities and Members' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 14,549	\$ 16,512
Accrued expenses	0	8,655
Due to affiliate	10,000	10,000
Current portion of deferred franchise fees	74,737	68,935
<b>Total Current Liabilities</b>	<u>99,286</u>	<u>104,102</u>
<b>Long-Term Liabilities</b>		
Deferred franchise fees, net of current portion	903,283	729,103
Deferred licensing fee	25,000	0
<b>Total Liabilities</b>	<u>1,027,569</u>	<u>833,205</u>
<b>Members' Equity</b>	<u>2,784,349</u>	<u>1,449,881</u>
	<u>\$ 3,811,918</u>	<u>\$ 2,283,086</u>

**Quad Queens LLC**  
**Statements of Income and Members' Equity**  
**For the Years Ending December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Royalties - franchisees	\$ 859,410	\$ 808,861
Royalties - affiliates	936,174	789,332
Franchise fees	183,014	52,641
Royalties - licensing	89,209	58,336
Licensing fees	0	65,206
Other revenues	0	15,616
	<hr/>	<hr/>
<b>Total Revenues</b>	2,067,807	1,789,992
<b>Operating Expenses</b>		
Franchise consulting fees	142,041	60,775
Legal fees	122,052	169,614
Management fees	120,000	120,000
Travel and meals	76,878	26,651
Accounting fees	42,150	34,850
Credit loss	31,510	0
Other operating expenses	26,019	15,194
Insurance	22,769	21,555
	<hr/>	<hr/>
	583,419	448,639
<b>Income Before Provision for Income Tax</b>	1,484,388	1,341,353
Provision for state tax	6,800	6,800
Provision for foreign tax	119,408	89,692
	<hr/>	<hr/>
<b>Net Income</b>	1,358,180	1,244,861
<b>Members' Equity at Beginning of Year</b>	1,449,881	805,020
Withdrawals	(23,712)	(600,000)
	<hr/>	<hr/>
<b>Members' Equity at End of Year</b>	<u>\$ 2,784,349</u>	<u>\$ 1,449,881</u>

**Quad Queens LLC**  
**Statements of Cash Flows**  
**For the Years Ending December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 1,358,180	\$ 1,244,861
(Increase) decrease in assets:		
Royalties receivable - franchisees	71,110	(150,592)
Royalties receivable - affiliates	68,061	(44,413)
Franchise fees receivable	(62,500)	50,000
Licensing fee receivable	(25,000)	0
Prepaid state taxes	6,800	(11,900)
Prepaid and deferred foreign taxes	(44,494)	4,283
Due from affiliates	(646,108)	(635,666)
Increase (decrease) in liabilities:		
Accounts payable	(1,963)	16,512
Accrued expenses	(8,655)	(2,145)
Deferred franchise fees	179,982	130,355
Deferred license fee	25,000	0
<b>Net Cash Provided by Operating Activities</b>	<u>920,413</u>	<u>601,295</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of intangible asset	<u>(10,834)</u>	<u>(14,693)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(10,834)</u>	<u>(14,693)</u>
<b>Cash Flows from Financing Activities</b>		
Withdrawals	<u>(23,712)</u>	<u>(600,000)</u>
<b>Net Cash Used in Financing Activities</b>	<u>(23,712)</u>	<u>(600,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	885,867	(13,398)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,085,356</u>	<u>1,098,754</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,971,223</u>	<u>\$ 1,085,356</u>
<b>Supplemental Disclosure of Cash Flow Data:</b>		
Cash paid during the years for:		
State income taxes	<u>\$ 0</u>	<u>\$ 23,800</u>
Foreign income taxes	<u>\$ 88,560</u>	<u>\$ 85,409</u>

**Quad Queens LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

---

**Note 1: Nature of Business**

**Business Activity:** Quad Queens LLC (the "Company") was organized in the state of California on May 22, 2017. The Company is primarily engaged in the business of soliciting and entering into Randy's Donuts franchise shop agreements around the world, as well as monitoring the activities of the franchisees, enforcing its rights and ensuring the performance of obligations under the relevant agreements.

**Note 2: Summary of Significant Accounting Policies**

**Adoption of New FASB Accounting Standard:** In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses over the contractual term from the date of initial recognition through the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including royalties and franchise fees receivable. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The Company adopted this new standard effective January 1, 2023. There was no material impact on the Company's financial position, results of operations or cash flows upon adoption of the new standard.

**Cash and Cash Equivalents:** The Company considers all highly liquid investments with a maturity of three months or less upon acquisition to be cash equivalents.

**Royalties and Fees Receivable:** Management monitors outstanding receivables and charges to expense any balances that are determined to be uncollectible. Management considers all receivables collectible; therefore, no allowance for credit losses has been provided as of December 31, 2023 and 2022.

**Intangible Asset:** The Company capitalizes identifiable intangible assets related to the creation and registration of the Randy's Donuts trademark. The Company holds all intellectual property rights to Randy's Donuts. The trademark has been determined to have an indefinite useful life and is therefore not amortized. Costs to renew or extend the terms of trademark registrations are expensed as incurred. Intangible assets are reviewed for impairment in accordance with Accounting Standards Codification ("ASC") 360-10-35, *Accounting for Impairment or Disposal of Long-Lived Assets*, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Measurement of any impairment loss for intangible assets that management expects to hold and use is based on the amount of the carrying value that exceeds the fair value of the assets. There was no impairment loss recorded for the years ending December 31, 2023 and 2022.

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition:** The Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of January 1, 2019. The following provides information about the Company's composition of revenue recognized from contracts with customers and other revenues, the performance obligations under those contracts, and the significant judgements made in accounting for those contracts.

Under the franchise arrangement, franchisees are granted the right to develop and operate Randy's Donuts shops in a designated territory with the trademarks and system developed and owned by the Company. The franchise agreement generally provides for a 10-year term with a 10-year extension subject to certain conditions. An option to sub franchise may be permissible under certain franchise agreements.

The first franchise shop commenced operations in South Korea on September 12, 2019. As of December 31, 2023, there were shops in operation in South Korea, Philippines, Saudi Arabia, and domestically throughout California. The Company remained in negotiations with multiple domestic and international franchisees.

Franchise arrangements provide for the payment of royalties and initial franchise fees to the Company as outlined in the franchise agreement. Royalties are based on a percentage of sales and recognized at the point in time the underlying sales occur.

Initial franchise fees are considered highly dependent upon and interrelated with the franchise right and are therefore deferred and recognized as the Company satisfies the performance obligation over the franchise term. Territory fees for brand launch services, exclusive right of negotiation fees, shop franchise fees for site selection, shop design and other pre-opening services, and shop term extension fees are amortized on a straight-line basis beginning on the shop opening date through the term of the franchise agreement.

Certain licensing arrangements provide for the payment of royalties and initial development fees to the Company as outlined in the licensing agreement. Licensees are granted the right to utilize the trademarks and system developed and owned by the Company in connection with the sales of authorized goods and services at approved locations. Royalties are based on a percentage of certain sales and recognized at the point in time the underlying sales occur. Initial development fees are deferred and recognized on a straight-line basis as the Company satisfies the performance obligation over the license term.

The Company also receives other merchandising licensing fees and shoot location fees for use of the original Randy's Donuts site from time to time. Revenues are recognized at a point in time when performance obligations are satisfied upon the fulfillment of terms outlined in the underlying agreement.

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Advertising Costs:** Advertising costs are expensed as incurred. Total advertising expense for the years ending December 31, 2023 and 2022 was \$4,862 and \$4,550, respectively.

**Franchise Support and Other Costs:** The Company incurs costs to provide direct support services to franchisees, as well as certain other direct and incremental costs to the Company's franchise operations. These costs primarily relate to franchise development services, promotion and information technology services, which are expensed as incurred.

**Income Taxes:** The Company has elected under the Internal Revenue Code to be treated as a partnership for federal and state income tax purposes. In lieu of Company income taxes, the members are taxed on their proportionate share of the Company's taxable income. The Company is subject to a California minimum franchise tax of \$800 and an LLC fee based on gross receipts.

The Company evaluates all significant tax positions as required by generally accepted accounting principles in the United States. Management believes its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the financial statements.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates due to risks and uncertainties.

**Basis of Presentation:** The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Certain accounts for 2022 have been reclassified to conform to the current year presentation. The reclassifications have no effect on net income for the year ending December 31, 2022.

**Management's Review of Subsequent Events:** The Company has evaluated subsequent events through the audit report date, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to December 31, 2023 that would require adjustment to, or disclosure in, these financial statements.



**Quad Queens LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

---

**Note 3: Contract Balances**

As discussed in Note 2, deferred franchise and licensing fees are recorded when payments are received or due in advance of the Company's performance, and revenue is recognized over time as performance obligations are satisfied upon the fulfillment of terms outlined in the agreement.

Contract-related assets and liabilities as of December 31, 2023 from contracts with customers consist of the following:

	Prepaid and Deferred Foreign Taxes	Deferred Franchise Fees	Deferred Licensing Fee
Balance at January 1	\$ 31,103	\$ 798,038	\$ 0
Balance at December 31	<u>75,597</u>	<u>978,020</u>	<u>25,000</u>
Increase	<u>\$ 44,494</u>	<u>\$ 179,982</u>	<u>\$ 25,000</u>

Contract-related assets and liabilities as of December 31, 2022 from contracts with customers consist of the following:

	Prepaid and Deferred Foreign Taxes	Deferred Franchise Fees
Balance at January 1	\$ 35,386	\$ 667,683
Balance at December 31	<u>31,103</u>	<u>798,038</u>
Increase (decrease)	<u>\$ (4,283)</u>	<u>\$ 130,355</u>

**Note 4: Concentration of Credit Risk**

The Company maintains cash balances at banks insured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. Uninsured cash balances at institutions were \$1,726,589 as of December 31, 2023. The Company has not experienced any losses in such accounts. Management believes that the Company is not exposed to any significant credit risk with respect to its cash and cash equivalents.

**Quad Queens LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

---

**Note 5: Related Party Transactions**

The Company is related through common ownership and control to the following entities and individuals:

<u>Related Parties</u>	<u>Relationship</u>
Mark Kelegian	Member and Manager; 20% owner of Sansmark Inc. dba Randy's Donuts
Shelly Kelegian	Member; 20% owner of Sansmark Inc. dba Randy's Donuts
Nicolette S. Kelegian	Member; 20% owner of Sansmark Inc. dba Randy's Donuts
Ashley J. Kelegian	Member; 20% owner of Sansmark Inc. dba Randy's Donuts
Susan K. Kelegian	Member; 20% owner of Sansmark Inc. dba Randy's Donuts
Sansmark Inc. dba Randy's Donuts	Common ownership with the Company
Sansmark LV Inc.	Common ownership with the Company

**Royalties Receivable - Affiliates:** The Company collects shop royalties from Sansmark Inc. dba Randy's Donuts and Sansmark LV Inc. Royalties are based on the same percentage of sales charged to franchisees and recognized at the point in time the underlying sales occur. Total royalties charged to affiliates were \$936,174 and \$789,332 for the years ending December 31, 2023 and 2022, respectively. Royalties due from affiliates as of December 31, 2023 and 2022 were \$74,477 and \$142,538, respectively.

**Due from Affiliates:** In 2023 and 2022, the Company made unsecured advances to affiliates for operating expenditures. As of December 31, 2023, the net balances due from Sansmark Inc. dba Randy's Donuts and Sansmark LV Inc., respectively, were \$402,774 and \$879,000. The net balances due as of December 31, 2022 were \$11,666 and \$624,000, respectively, from Sansmark Inc. dba Randy's Donuts and Sansmark LV Inc.

**Due to Affiliate:** The Company entered into a loan agreement with Larryron Enterprises, Inc. in May 2017. Larryron Enterprises, Inc. merged into Sansmark Inc. dba Randy's Donuts effective January 1, 2019. The note accrues interest at 2% and is due in full May 2024. The balance due to affiliate as of December 31, 2023 and 2022 was \$10,000.

**Quad Queens LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

---

**Note 5: Related Party Transactions (Continued)**

**Management Fee:** The Company has a fixed month-to-month agreement with Mark Kelegian for management consulting services. Total management fees for each of the years ending December 31, 2023 and 2022 were \$120,000.

**Note 6: Commitments and Contingencies**

The Company enters into franchise and licensing agreements in territories located worldwide that require training and continuing services to be provided.

From time to time the Company is involved in various legal actions and proceedings in connection with its business. While the ultimate outcome of such matters cannot be predicted with certainty, in the opinion of management, no such matter is likely to have a material adverse effect on the Company's financial position or results of operations.

**Quad Queens LLC**

**Financial Statements**

\* \* \* \* \*

**December 31, 2022 and 2021**



## **Table of Contents**

	<b><u>Page Number</u></b>
<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Balance Sheets	3
Statements of Income and Members' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10



## **Independent Auditors' Report**

To the Members  
Quad Queens LLC  
Inglewood, California

### **Opinion**

We have audited the financial statements of Quad Queens LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Quad Queens LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Quad Queens LLC's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

## **Auditors' 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 error or fraud, and to issue an auditors' 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 error or fraud, 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 Quad Queens 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 Quad Queens 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.

*Magnus Blue LLP*

San Marcos, California  
April 6, 2023

**Quad Queens LLC**  
**Balance Sheets**  
**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,085,356	\$ 1,098,754
Royalties receivable - franchisees	189,358	38,766
Royalties receivable - affiliates	142,538	98,125
Franchise fee receivable	0	50,000
Prepaid state taxes	11,900	0
Prepaid foreign taxes	4,422	4,089
<b>Total Current Assets</b>	<u>1,433,574</u>	<u>1,289,734</u>
<b>Other Assets</b>		
Due from affiliates	635,666	0
Intangible asset	187,165	172,472
Deferred foreign taxes	26,681	31,297
	<u>\$ 2,283,086</u>	<u>\$ 1,493,503</u>
<b>Liabilities and Members' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 16,512	\$ 0
Accrued expenses	8,655	10,800
Due to affiliate	10,000	10,000
Current portion of deferred franchise fees	68,935	30,300
<b>Total Current Liabilities</b>	<u>104,102</u>	<u>51,100</u>
<b>Long-Term Liabilities</b>		
Deferred franchise fees, net of current portion	<u>729,103</u>	<u>637,383</u>
<b>Total Liabilities</b>	<u>833,205</u>	<u>688,483</u>
<b>Members' Equity</b>	<u>1,449,881</u>	<u>805,020</u>
	<u>\$ 2,283,086</u>	<u>\$ 1,493,503</u>



**Quad Queens LLC**  
**Statements of Income and Members' Equity**  
**For the Years Ending December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Royalties - franchisees	\$ 808,861	\$ 441,545
Royalties - affiliates	789,332	599,740
Licensing fees	123,542	5,000
Franchise fees	52,641	28,150
Loyalty program	14,116	2,549
Location fees	1,500	0
	<hr/>	<hr/>
<b>Total Revenues</b>	1,789,992	1,076,984
<b>Operating Expenses</b>		
Legal fees	169,614	157,863
Management fees	120,000	0
Franchise consulting fees	60,775	24,481
Accounting fees	34,850	32,250
Travel and meals	26,651	0
Insurance	21,555	10,956
Other operating expenses	15,194	8,276
	<hr/>	<hr/>
	448,639	233,826
	<hr/>	<hr/>
<b>Income Before Provision for Income Tax</b>	1,341,353	843,158
Provision for state tax	6,800	7,700
Provision for foreign tax	89,692	69,998
	<hr/>	<hr/>
<b>Net Income</b>	1,244,861	765,460
<b>Members' Equity at Beginning of Year</b>	805,020	39,560
Withdrawals	(600,000)	0
	<hr/>	<hr/>
<b>Members' Equity at End of Year</b>	<u>\$ 1,449,881</u>	<u>\$ 805,020</u>

**Quad Queens LLC**  
**Statements of Cash Flows**  
**For the Years Ending December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 1,244,861	\$ 765,460
(Increase) decrease in assets:		
Royalties receivable - franchisees	(150,592)	(14,654)
Royalties receivable - affiliates	(44,413)	(98,125)
Franchise fee receivable	50,000	(33,444)
Prepaid state taxes	(11,900)	0
Prepaid and deferred foreign taxes	4,283	4,089
Due from affiliates	(635,666)	0
Increase (decrease) in liabilities:		
Accounts payable	16,512	(45,498)
Accrued expenses	(2,145)	10,800
Due to affiliate	0	0
Deferred franchise fees	130,355	304,850
<b>Net Cash Provided by Operating Activities</b>	<u>601,295</u>	<u>893,478</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of intangible asset	(14,693)	(17,070)
<b>Net Cash Used in Investing Activities</b>	<u>(14,693)</u>	<u>(17,070)</u>
<b>Cash Flows from Financing Activities</b>		
Withdrawals	(600,000)	0
<b>Net Cash Used in Financing Activities</b>	<u>(600,000)</u>	<u>0</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(13,398)	876,408
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,098,754</u>	<u>222,346</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,085,356</u>	<u>\$ 1,098,754</u>
<b>Supplemental Disclosure of Cash Flow Data:</b>		
Cash paid during the years for:		
State income taxes	<u>\$ 23,800</u>	<u>\$ 7,700</u>
Foreign income taxes	<u>\$ 85,409</u>	<u>\$ 69,353</u>

**Quad Queens LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

**Note 1: Nature of Business**

**Business Activity:** Quad Queens LLC (the "Company") was organized in the state of California on May 22, 2017. The Company is primarily engaged in the business of soliciting and entering into Randy's Donuts franchise shop agreements around the world, as well as monitoring the activities of the franchisees, enforcing its rights and ensuring the performance of obligations under the relevant agreements.

**Note 2: Summary of Significant Accounting Policies**

**Cash and Cash Equivalents:** The Company considers all highly liquid investments with a maturity of three months or less upon acquisition to be cash equivalents.

**Royalties and Franchise Fees Receivable:** Management monitors outstanding receivables and charges to expense any balances that are determined to be uncollectible. Management considers all receivables collectible; therefore, no allowance for doubtful accounts has been provided as of December 31, 2022 and 2021.

**Intangible Asset:** The Company capitalizes identifiable intangible assets related to the creation and registration of the Randy's Donuts trademark. The Company holds all intellectual property rights to Randy's Donuts. The trademark has been determined to have an indefinite useful life and is therefore not amortized. Costs to renew or extend the terms of trademark registrations are expensed as incurred. Intangible assets are reviewed for impairment in accordance with Accounting Standards Codification ("ASC") 360-10-35, *Accounting for Impairment or Disposal of Long-Lived Assets*, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Measurement of any impairment loss for intangible assets that management expects to hold and use is based on the amount of the carrying value that exceeds the fair value of the assets. There was no impairment loss recorded for the years ending December 31, 2022 and 2021.

**Revenue Recognition:** The Company adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of January 1, 2019. The following provides information about the Company's composition of revenue recognized from contracts with customers and other revenues, the performance obligations under those contracts, and the significant judgements made in accounting for those contracts.

Under the franchise arrangement, franchisees are granted the right to develop and operate Randy's Donuts shops in a designated territory with the trademarks and system developed and owned by the Company. The franchise agreement generally provides for a 10-year term with a 10-year extension subject to certain conditions. An option to sub franchise may be permissible under certain franchise agreements.

The first franchise shop commenced operations in Korea on September 12, 2019. As of December 31, 2022, there were shops in operation in Korea, Philippines, Saudi Arabia, France, and throughout California. The Company was in negotiations with multiple domestic and international franchisees.

**Note 2: Summary of Significant Accounting Policies (Continued)**

Franchise arrangements provide for payment of royalties and initial franchise fees to the Company as outlined in the franchise agreement. Royalties are based on a percentage of sales and recognized at the point in time the underlying sales occur.

Initial franchise fees are considered highly dependent upon and interrelated with the franchise right and are therefore deferred and recognized as the Company satisfies the performance obligation over the franchise term. Territory fees for brand launch services, exclusive right of negotiation fees, shop franchise fees for site selection, shop design and other pre-opening services, and shop term extension fees are amortized on a straight-line basis beginning on the shop opening date through the term of the franchise agreement.

The Company also receives loyalty program fees, merchandising licensing fees, and shoot location fees for use of the original Randy's Donuts site from time to time. Revenues are recognized at a point in time when performance obligations are satisfied upon the fulfillment of terms outlined in the underlying agreement.

**Advertising Costs:** Advertising costs are expensed as incurred. Total advertising expense for the years ending December 31, 2022 and 2021 was \$4,550 and \$0, respectively.

**Franchise Support and Other Costs:** The Company incurs costs to provide direct support services to franchisees, as well as certain other direct and incremental costs to the Company's franchise operations. These costs primarily relate to franchise development services, promotion and information technology services, which are expensed as incurred.

**Income Taxes:** The Company has elected under the Internal Revenue Code to be treated as a partnership for federal and state income tax purposes. In lieu of Company income taxes, the members are taxed on their proportionate share of the Company's taxable income. The Company is subject to a California minimum franchise tax of \$800 and an LLC fee based on gross receipts.

The Company evaluates all significant tax positions as required by generally accepted accounting principles in the United States. Management believes its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the financial statements.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates due to risks and uncertainties.

**Quad Queens LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Management’s Review of Subsequent Events:** The Company has evaluated subsequent events through the audit report date, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to December 31, 2022 that would require adjustment to, or disclosure in, these financial statements.

**Note 3: Contract Balances**

Contract-related assets and liabilities as of December 31, 2022 from contracts with customers consist of the following:

	Prepaid and Deferred Foreign Taxes	Deferred Franchise Fees
	<u>                    </u>	<u>                    </u>
Balance at January 1	\$ 35,386	\$ 667,683
Balance at December 31	<u>31,103</u>	<u>798,038</u>
Increase (decrease)	<u>\$ (4,283)</u>	<u>\$ 130,355</u>

Contract-related assets and liabilities as of December 31, 2021 from contracts with customers consist of the following:

	Prepaid and Deferred Foreign Taxes	Deferred Franchise Fees
	<u>                    </u>	<u>                    </u>
Balance at January 1	\$ 39,475	\$ 362,833
Balance at December 31	<u>35,386</u>	<u>667,683</u>
Increase (decrease)	<u>\$ (4,089)</u>	<u>\$ 304,850</u>

As discussed in Note 2, deferred franchise fees are recorded when payments are received or due in advance of the Company’s performance, and revenue is recognized over time as performance obligations are satisfied upon the fulfillment of terms outlined in the franchise agreement.

**Quad Queens LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

**Note 4: Related Party Transactions**

The Company is related through common ownership and control to the following entities and individuals:

<u>Related Parties</u>	<u>Relationship</u>
Mark Kelegian	Member and Manager; 20% owner of Sansmark Inc. dba Randy's Donuts
Shelly Kelegian	Member; 20% owner of Sansmark Inc. dba Randy's Donuts
Nicolette S. Kelegian	Member; 20% owner of Sansmark Inc. dba Randy's Donuts
Ashley J. Kelegian	Member; 20% owner of Sansmark Inc. dba Randy's Donuts
Susan K. Kelegian	Member; 20% owner of Sansmark Inc. dba Randy's Donuts
Sansmark Inc. dba Randy's Donuts	Common ownership with the Company
Sansmark LV Inc.	Common ownership with the Company

**Royalties Receivable - Affiliates:** The Company began collecting shop royalties from Sansmark Inc. dba Randy's Donuts and Sansmark LV Inc. in January 2021 and August 2022, respectively. Royalties are based on the same percentage of sales charged to franchisees and recognized at the point in time the underlying sales occur. Total royalties charged to affiliates were \$789,332 and \$599,740 for the years ending December 31, 2022 and 2021, respectively. Royalties due from affiliates as of December 31, 2022 and 2021 were \$142,538 and \$98,125, respectively.

**Due from Affiliates:** In 2022, the Company made unsecured advances to affiliates for operating expenditures. As of December 31, 2022, the balances due from affiliates were \$11,666 and \$624,000 for Sansmark Inc. dba Randy's Donuts and Sansmark LV Inc., respectively.

**Management Fee:** The Company has a fixed month-to-month agreement with Mark Kelegian for management consulting services. Total management fees for the year ending December 31, 2022 were \$120,000.

**Due to Affiliate:** The Company entered into a loan agreement with Larryron Enterprises, Inc. in May 2017. Larryron Enterprises, Inc. merged into Sansmark Inc. dba Randy's Donuts effective January 1, 2019. The note accrues interest at 2% and is due in full May 2023. The balance due to affiliate as of December 31, 2022 and 2021 was \$10,000.

**Quad Queens LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

**Note 5: Commitments and Contingencies**

The Company enters into franchise agreements in territories located worldwide that require training and continuing services to be provided.

From time to time the Company is involved in various legal actions and proceedings in connection with its business. While the ultimate outcome of such matters cannot be predicted with certainty, in the opinion of management, no such matter is likely to have a material adverse effect on the Company's financial position or results of operations.

**Note 6: Concentration of Credit Risk**

The Company maintains cash balances at banks insured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. Uninsured cash balances at institutions were \$841,035 as of December 31, 2022. The Company has not experienced any losses in such accounts. Management believes that the Company is not exposed to any significant credit risk with respect to its cash and cash equivalents.

**EXHIBIT B**

**FRANCHISE AGREEMENT**



**QUAD QUEENS LLC**  
**FRANCHISE AGREEMENT**

---

FRANCHISEE NAME

---

---

---

SHOP ADDRESS

## TABLE OF CONTENTS

SECTION	PAGE
1. <u>Preambles</u> .....	1
2. <u>Acknowledgments</u> .....	1
3. <u>Grant of Franchise</u> .....	3
A. Grant of Franchise.....	3
B. Term.....	3
C. Territorial Rights.....	3
D. Reservation of Rights.....	4
E. Guaranty.....	5
F. Your Form and Structure .....	5
G. Managing Owner .....	6
H. Operator .....	7
4. <u>Site Selection, Lease, and Developing the Shop</u> .....	7
A. Site Selection and Acceptance .....	7
B. Lease Acceptance.....	9
C. Development of Shop .....	9
D. Opening.....	10
5. <u>Fees</u> .....	11
A. Initial Franchise Fee.....	11
B. Royalty .....	12
C. Payment Method and Timing.....	12
D. Administrative Fee and Interest on Late Payments .....	13
E. Application of Payments and Right of Set-Off.....	13
F. Annual Increase in Fixed Fees and Amounts .....	13
6. <u>Training, Guidance, and Assistance</u> .....	14
A. Initial Orientation and Training .....	14
B. Retraining.....	14
C. Opening Set-Up and Support .....	15
D. Ongoing and Supplemental Training/Convention .....	15
E. Training For Replacement Operators.....	16
F. Training for Shop Employees .....	16
G. Training Cancellation Fee.....	16
H. General Guidance and the Operations Manual .....	16

## TABLE OF CONTENTS

SECTION	PAGE
I. Delegation .....	18
7. <u>Shop Operation and Brand Standards</u> .....	18
A. Condition and Appearance of Shop .....	18
B. Compliance with Applicable Laws and Good Business Practices.....	19
C. Compliance with Brand Standards.....	20
D. Approved Products, Services, and Suppliers .....	23
E. Computer System.....	25
F. Intranet .....	26
8. <u>Marks</u> .....	27
A. Ownership and Goodwill of Marks.....	27
B. Limitations on Use of Marks .....	27
C. Notification of Infringements and Claims .....	28
D. Discontinuance of Use of Marks.....	28
E. Indemnification for Use of Marks.....	28
9. <u>Confidential Information</u> .....	28
10. <u>Consumer Data</u> .....	30
11. <u>Innovations</u> .....	31
12. <u>Exclusive Relationship</u> .....	31
13. <u>Advertising and Marketing</u> .....	32
A. Market Introduction Program .....	32
B. Brand Fund.....	32
C. Approval of Marketing and Other External Communications.....	34
D. Local Marketing.....	35
E. Regional Advertising Cooperatives .....	35
F. System Website.....	36
14. <u>Records, Reports, and Financial Statements</u> .....	37
15. <u>Inspections and Audits</u> .....	38
A. Inspections .....	38
B. Our Right to Audit .....	39
16. <u>Transfer</u> .....	39
A. Transfer by Us.....	39
B. Transfer by You and Definition of Transfer .....	40
C. Conditions for Approval of Transfer .....	41

## TABLE OF CONTENTS

SECTION	PAGE
D. Transfer to a Wholly-Owned or Affiliated Entity.....	44
E. Death or Disability .....	45
F. Effect of Consent to Transfer.....	45
G. Our Right of First Refusal.....	45
17. <u>Expiration of Agreement</u> .....	47
18. <u>Termination of Agreement</u> .....	48
A. Termination by You.....	48
B. Termination by Us .....	48
C. Assumption of Shop’s Management.....	51
D. Other Remedies upon Default.....	52
19. <u>Rights and Obligations upon Termination or Expiration of This Agreement</u> .....	52
A. Payment of Amounts Owed.....	52
B. De-Identification .....	53
C. Confidential Information .....	54
D. Notification to Customers.....	54
E. Covenant Not to Compete.....	55
F. Option to Purchase Operating Assets .....	56
G. Continuing Obligations.....	57
20. <u>Relationship of the Parties; Indemnification</u> .....	58
A. Independent Contractors .....	58
B. No Liability for Acts of Other Party .....	58
C. Taxes .....	59
D. Insurance .....	59
E. Indemnification .....	59
21. <u>Enforcement</u> .....	60
A. Severability .....	60
B. Waiver of Obligations and Force Majeure.....	61
C. Costs and Attorneys’ Fees .....	62
D. You May not Withhold Payments.....	62
E. Rights of Parties Are Cumulative .....	62
F. Arbitration.....	62
G. Governing Law .....	64
H. Consent to Jurisdiction.....	64

## TABLE OF CONTENTS

SECTION	PAGE
I. Waiver of Punitive and Exemplary Damages .....	64
J. Waiver of Jury Trial.....	65
K. Binding Effect.....	65
L. Limitations of Claims .....	65
M. Construction.....	65
N. The Exercise of Our Business Judgment .....	67
22. <u>Compliance with Anti-Terrorism Laws</u> .....	67
23. <u>Notices and Payments</u> .....	67
24. <u>Electronic Mail</u> .....	68
25. <u>No Waiver or Disclaimer of Reliance in Certain States</u> .....	68

### **EXHIBITS**

Exhibit A – Basic Terms

Exhibit B-1 – Guaranty and Assumption of Obligations

Exhibit B-2 – Owner’s Undertaking of Non-Monetary Obligations

Exhibit C – Franchisee and Its Owners

Exhibit D – Lease Rider

Exhibit E – Sample Form of Confidentiality Agreement

**QUAD QUEENS LLC**  
**FRANCHISE AGREEMENT**

This Franchise Agreement (this “**Agreement**”) is made by and between **QUAD QUEENS LLC**, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”), and is effective as of the date we sign it as the franchisor, which is set forth next to our signature at the end of this Agreement (the “**Effective Date**”).

**1. Preambles**

We own a retail shop brand that currently offers and sells donuts, coffee, and other products identified by certain trademarks, service marks, and other commercial symbols, including “**RANDY’S DONUTS®**,” and from time to time we may create, use, and license new trademarks, service marks, and commercial symbols (collectively, the “**Marks**”). We own the Marks, the Confidential Information (defined in Section 9 below), and all aspects of the branded system for **RANDY’S DONUTS Shops** (“**RANDY’S DONUTS Shops**”).

We offer and grant franchises to operate a **RANDY’S DONUTS Shop** using the **RANDY’S DONUTS** business system, business formats, methods, procedures, designs, layouts, trade dress, standards, specifications, and Marks, all of which we periodically may improve, further develop, and otherwise modify (collectively, the “**Franchise System**”).

You have applied for a franchise to operate a **RANDY’S DONUTS Shop**, and we are willing to grant you the franchise on the terms and conditions contained in this Agreement.

**2. Acknowledgments**

You acknowledge that:

- i. Attracting customers for your **RANDY’S DONUTS Shop** will require you to make consistent marketing efforts in your community, including through media advertising, direct mail and on-line advertising, social media marketing and networking, and display and use of in-Shop promotional materials.
- ii. Retaining customers for your **RANDY’S DONUTS Shop** will require you to maintain the premises, provide a high level of customer service, and adhere strictly to the Franchise System and our Brand Standards (defined in Section 6.H below and categorized in Section 7.C below).
- iii. You are committed to maintaining our Brand Standards.
- iv. Our officers, directors, employees, consultants, lawyers, and agents act only in a representative, and not in an individual, capacity when dealing with you, and their business dealings with you as a result of this Agreement therefore are considered to be only between you and us.

- v. All application and qualification materials you gave us about you and your owners to acquire this franchise were accurate and complete.
- vi. We make no commitment about the extent to which we and our affiliates will continue developing and expanding the RANDY'S DONUTS Shop network.

**The acknowledgments in clauses (vii) through (xiv) below apply to all franchisees and franchises except not to any franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.**

- vii. Other than disclosures in our franchise disclosure document, you have not received from us or our affiliates and are not relying upon any representations or guarantees, express or implied, of a RANDY'S DONUTS Shop's potential volume, sales, income, or profits.
- viii. You read this Agreement and our franchise disclosure document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high service-quality and product standards (and the uniformity of those standards at each RANDY'S DONUTS Shop) and to protect and preserve the goodwill of the Marks.
- ix. You independently investigated the RANDY'S DONUTS Shop franchise opportunity and recognize that the nature of the Shop's business will evolve and change over time.
- x. Investing in a RANDY'S DONUTS Shop involves business risks that could result in your losing a significant portion or all of your investment.
- xi. Your business abilities and efforts are vital to your success.
- xii. We have not made any representation, warranty, or other claim regarding this RANDY'S DONUTS Shop franchise opportunity other than those made in this Agreement and our franchise disclosure document, and you independently evaluated this opportunity.
- xiii. You had an opportunity to ask questions and to review materials of interest to you concerning the RANDY'S DONUTS Shop franchise opportunity.
- xiv. You had an opportunity, and we encouraged you, to have an attorney or other professional advisor review this Agreement and all other materials we gave or made available to you.

### 3. Grant of Franchise

#### A. Grant of Franchise

Subject to this Agreement's terms, we grant you the right, and you commit, to operate a RANDY'S DONUTS Shop at the address identified on Exhibit A (the "**Shop**") using the Franchise System and the Marks. (If the Shop's address is unknown as of the Effective Date, the address will be determined as provided in Section 4.A. and then listed on an amended and restated Exhibit A we will give you.) Except as provided in this Agreement, your right to operate the Shop is limited to products prepared and sold, and services provided, at the Shop's physical location and does not include the right to distribute products and services over the Internet or to engage in other supply or distribution channels. However, you may deliver the Shop's products away from the Shop's location, using both employed delivery staff and third-party delivery services, if you comply with all Brand Standards for delivery services. Those Brand Standards may include, among other things, limitations on where or how far from your Shop you may deliver those products and requirements for using third-party delivery services. Under no circumstances may you delivery the Shop's products within another franchisee's area of protection.

#### B. Term

The franchise term (the "**Term**") begins on the Effective Date and expires ten (10) years from the first day of the Shop's Lease (defined below). The Term is subject to earlier termination under Section 18. You agree to operate the Shop in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 18.

#### C. Territorial Rights

During the Term, we and our affiliates will not, except as provided in this Section and in Section 3.D, own or operate, or allow another franchisee or licensee to own or operate, another RANDY'S DONUTS Shop that has its physical location within the geographical area described on Exhibit A (the "**Area of Protection**"). We may modify the Area of Protection only as provided in Exhibit A. If the Shop's address is unknown as of the Effective Date, we will describe the Area of Protection on an amended and restated Exhibit A that we will send you after we accept the Shop's site as provided in Section 4.A. The Area of Protection will always be defined and deemed to exclude any and all Non-Traditional Venues physically located within the Area of Protection. This means there are no restrictions whatsoever on our and our affiliates' activities in or at Non-Traditional Venues physically located within the Area of Protection, including, but not limited to, our and our affiliates' right to own and operate and grant others the right to own and operate RANDY'S DONUTS Shops, and to engage in other foodservice operations under the Marks, in or at such Non-Traditional Venues. A "**Non-Traditional Venue**" means a hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater, or similar venue.



#### **D. Reservation of Rights**

Except for your location exclusivity described in Section 3.C above (which is subject to our and our affiliates' various rights with respect to Non-Traditional Venues physically located within the Area of Protection), we and our affiliates retain all rights with respect to RANDY'S DONUTS Shops, the Marks, the sale of similar or dissimilar products and services, and any other activities we and they deem appropriate, whenever and wherever we and they desire, whether inside or outside the Area of Protection. Specifically, but without limitation, we and our affiliates reserve the following rights:

- i. to own and operate, and to allow other franchisees and licensees to own and operate, RANDY'S DONUTS Shops at any locations outside the Area of Protection (including at the boundary of the Area of Protection) and on any terms and conditions we and they deem appropriate;
- ii. to offer and sell, and to allow others to offer and sell, inside and outside the Area of Protection, and on any terms and conditions we deem appropriate, products and services that are identical or similar to and/or competitive with those offered and sold by RANDY'S DONUTS Shops, whether identified by the Marks or other trademarks or service marks, through any distribution channels (including the Internet) other than RANDY'S DONUTS Shops physically located within the Area of Protection;
- iii. to establish and operate, and to allow others to establish and operate, anywhere (including inside or outside the Area of Protection) businesses offering similar products and services under trademarks and service marks other than the Marks;
- iv. to acquire the assets or ownership interests of one or more businesses offering and selling products and services similar to those offered and sold at RANDY'S DONUTS Shops (even if such a business operates, franchises, or licenses Competitive Businesses (defined in Section 12 below)), and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating, including within the Area of Protection;
- v. to be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling products and services similar to those offered and sold at RANDY'S DONUTS Shops, or by another business, even if such business operates, franchises, or licenses Competitive Businesses inside or outside the Area of Protection; and
- vi. to engage in all other activities this Agreement does not expressly prohibit.

## **E. Guaranty**

The Guarantors must fully guarantee all of your financial and other obligations to us under this Agreement or otherwise arising from our franchise relationship with you, and agree personally to comply with this Agreement's terms, by executing the form of Guaranty attached as Exhibit B-1. "**Guarantors**" means each owner holding at least a five percent (5%) ownership interest in you and any other owner we designate as a Guarantor in Exhibit B. Each owner not holding at least a five percent (5%) ownership interest in you must sign an Owner's Undertaking of Non-Monetary Obligations, in the form attached as Exhibit B-2, undertaking to be bound personally by specific non-monetary provisions in this Agreement. Each owner's name and his, her, or its percentage ownership interest (direct or indirect) in you are set forth in Exhibit C. Subject to our rights and your obligations in Section 16, you must notify us of any change in the information in Exhibit C within ten (10) days after the change occurs.

## **F. Your Form and Structure**

As a corporation, limited liability company, or general, limited, or limited liability partnership (each, an "**Entity**"), you agree and represent that:

- i. You have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly exist in good standing under the laws of the state of your incorporation or formation;
- ii. Your organizational documents, operating agreement, or partnership agreement, as applicable, will, at our request, recite that this Agreement restricts the issuance and transfer of any direct or indirect ownership interests in you, and all certificates and other documents representing ownership interests in you will, at our request, bear a legend (the wording of which we may prescribe) referring to this Agreement's restrictions;
- iii. Your organizational documents, operating agreement, or partnership agreement, as applicable, will, at our request, contain a provision requiring any dissenting or non-voting interest-holders to execute all documents necessary to effectuate any action that is properly authorized under the organizational documents, operating agreement, or partnership agreement, as applicable;
- iv. Exhibit C to this Agreement completely and accurately describes all of your owners and their interests (direct or indirect) in you as of the Effective Date; and
- v. You may not use any Mark (in whole or in part) in, or as part of, your legal business name or email address or use any name that is the same as or similar to, or an acronym or abbreviation of, the RANDY'S DONUTS name (although you may register the "assumed name" or "doing business as" name "RANDY'S DONUTS" in the jurisdictions where you are formed and qualify to do business).

## **G. Managing Owner**

Upon signing this Agreement, you must designate one of your owners to serve as your managing owner (the “**Managing Owner**”). At all times during the Term, there must be a Managing Owner meeting the following qualifications and any other standards we set forth from time to time in the Operations Manual or otherwise communicate to you:

- i. We must approve the proposed Managing Owner in writing before the Effective Date. We have the right, as we deem best, to approve or disapprove the proposed Managing Owner or any proposed change in the individual designated as the Managing Owner.
- ii. The Managing Owner is responsible for managing your business. The Managing Owner must have sufficient decision-making authority to make decisions on your behalf that are essential to the Shop’s effective and efficient operation. The Managing Owner must communicate directly with us regarding any Shop-related matters (excluding matters relating to labor relations and employment practices). Your Managing Owner’s decisions will be final and binding on you, we may rely solely on the Managing Owner’s decisions without discussing the matter with another party, and we will not be liable for actions we take based on your Managing Owner’s decisions or actions.
- iii. The Managing Owner may be the Operator (defined below) or may designate another person to serve as the Operator, provided the Managing Owner ensures that the Operator fulfills all obligations under this Agreement. The Managing Owner remains fully responsible for the Operator’s performance.
- iv. If you want or need to change the individual designated as the Managing Owner, you must seek a new individual (the “**Replacement Managing Owner**”) for that role in order to protect our brand. You must appoint the Replacement Managing Owner within thirty (30) days after the former Managing Owner no longer occupies that position. We must approve in writing the Replacement Managing Owner. The Replacement Managing Owner must attend our initial orientation session on the Franchise System within thirty (30) days after we approve the individual. You are responsible for the Replacement Managing Owner’s compensation and TRE during the orientation session. As used in this Agreement, “**TRE**” means travel-related expenses of our or your personnel, as applicable. In the case of our personnel, TRE includes coach or economy airfare, local transportation (including airport transfers), accommodations in a facility subject to our approval, meals, and a daily allowance (paid weekly) upon which we and you agree for reasonable miscellaneous expenses.

## H. Operator

You must designate an individual, who need not have an ownership interest in you, to serve as the Shop's operator (the "**Operator**"). At all times during the Term, there must be an Operator meeting the following qualifications and any other standards we set forth from time to time in the Operations Manual or otherwise communicate to you:

- i. The Operator is responsible for the Shop's overall operation on a day-to-day basis and will implement the Managing Owner's decisions.
- ii. The Operator must successfully complete Initial Training before you open the Shop to the public. If the Operator fails to complete Initial Training to our satisfaction, you must appoint another individual to serve as the Operator, and that individual must complete Initial Training to our satisfaction.
- iii. If you want or need to change the individual designated as the Operator, you must seek a new individual (the "**Replacement Operator**") for that role in order to protect our brand. You must appoint the Replacement Operator within thirty (30) days after the former Operator no longer occupies that position. The Replacement Operator must satisfactorily complete Initial Training or other training within thirty (30) days after he or she is hired. You must pay our then-current Replacement Operator training fee for each Replacement Operator attending Initial Training during the Term. You also are responsible for the Replacement Operator's compensation and TRE during training.

## 4. Site Selection, Lease, and Developing the Shop

### A. Site Selection and Acceptance

If the Shop's address is unknown as of the Effective Date, this Section 4.A will govern the site selection and acceptance process. Within six (6) months after the Effective Date (unless a different date is specified in a Development Rights Agreement to which you (or your affiliate) and we are parties, which will supersede the deadlines specified in this Section 4), you must obtain our written acceptance of, and secure, a site within the non-exclusive geographical area described in Exhibit A (the "**Site Selection Area**") at which to operate your Shop. The timeframe during which you must search for, propose, obtain our written acceptance of, and secure the Shop's site within the Site Selection Area (the "**Site Selection Period**") will expire upon the earliest of (i) our acceptance of the Shop's site and Lease (defined below) and giving you an amended and restated Exhibit A, (ii) this Agreement's termination, or (iii) six (6) months after the Effective Date (unless, as noted above, a different date is specified in a Development Rights Agreement).

You must locate, evaluate, and select the Shop's site. We and our affiliates will not search for or select the site for you. We will review potential Shop sites that you identify within the Site Selection Area and visit the Site Selection Area once (for no additional fee) to review potential Shop sites. We have the right to condition our proposed visit to and acceptance of a

proposed site on your first sending us complete site reports and other materials (including, without limitation, photographs and video recordings) we request. We will give you our then-current criteria for RANDY'S DONUTS Shop sites (including, without limitation, population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, ingress and egress, size, and other physical and commercial characteristics) to help you select and identify your site. However, even if we recommend or give you information regarding a potential site or site criteria, you acknowledge that we have made, and will make, no representations or warranties of any kind, express or implied, about the site's suitability for a RANDY'S DONUTS Shop or any other purpose or the likelihood that we ultimately will accept that site for the Shop's location.

You must submit all information we request when you propose a site, including a signed letter of intent specifying the key terms of the proposed Lease or purchase transaction. We will not unreasonably withhold our acceptance of a site if, in our and our affiliates' experience and based on the factors outlined above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites in the past for RANDY'S DONUTS Shops. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you have chosen, while acceptable to us, is not recommended due to its incompatibility with certain factors that bear on a site's suitability as a location for a RANDY'S DONUTS Shop. We will use reasonable efforts to review and accept or reject each site you propose within twenty (20) days after we receive all requested information and materials. If we do not accept the site in writing within twenty (20) days, the site will be deemed rejected.

Our recommendation or acceptance of a site indicates only that we believe the site is not inconsistent with sites that we regard as favorable or that otherwise have been successful sites for RANDY'S DONUTS Shops in the past. Applying criteria appearing effective with other sites might not accurately reflect the potential of all sites, and demographic or other factors included in or excluded from our criteria could change, altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the particular site fails to meet your expectations. Upon accepting a proposed site that you have secured, we will list the accepted site's location as the Shop's address in Exhibit A. If you do not find and secure an acceptable Shop site within six (6) months after the Effective Date (or a different date specified in a Development Rights Agreement), then we have the right to terminate this Agreement upon written notice to you.

You may not relocate the Shop to a new site without our prior written consent, which we may grant or deny as we deem best. We have the right to condition relocation approval on (1) the new site and its lease being acceptable to us, (2) your paying us a reasonable relocation fee (as set forth in the Operations Manual), (3) your reimbursing any costs we incur during the relocation process, (4) your confirming that this Agreement remains in effect and governs the Shop's operation at the new site with no change in the Term or, at our option, your signing our then-current form of franchise agreement to govern the Shop's operation at the new site for a new franchise term, (5) your signing a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (6) your continuing to operate the Shop at its original site until we authorize its closure, and (7) your taking, within the timeframe we specify and at your own expense, all action we require to de-

brand and de-identify the Shop's former premises so it no longer is associated in any manner (in our opinion) with the Franchise System and the Marks.

## **B. Lease Acceptance**

You must send us for our review and written acceptance, which we will not unreasonably withhold, both (i) the proposed terms (as they appear in, for example, a landlord letter of intent) of any lease or sublease (and any renewals and amendments of the lease or sublease) (collectively, the "**Lease**") that will govern your occupancy and lawful possession of the Shop's site and (ii) the actual Lease, in each case after you receive them from the landlord. We will have ten (10) days after receiving the proposed Lease terms, and an additional ten (10) days after receiving the actual Lease, to review and either accept or reject what you send us. The Lease must either (i) include the Lease Rider attached to this Agreement as Exhibit D or (ii) provide within its body the terms and conditions found in the Lease Rider. You may not sign any Lease (or any renewal or amendment of the Lease) we have not accepted in writing. We may (but have no obligation to) guide or assist you with the leasing process but will not negotiate the Lease for you or provide any legal advice. If we do not accept the proposed Lease terms, or the actual Lease, in writing within ten (10) days after we receive them from you, the Lease terms or the Lease, as applicable, will be deemed rejected. You acknowledge that our guidance or assistance and written acceptance of the Lease (or renewal or amendment) are not a guarantee or warranty, express or implied, of the Shop's success or profitability or of the suitability of the Lease for your business purposes. Our acceptance indicates only that we believe the site and the Lease terms adequately protect our interests and/or the interests of other franchisees in the RANDY'S DONUTS system, to the extent those interests are implicated in the Lease. You must have a signed Lease by the end of the Site Selection Period. After your Lease is executed, you must send us prior notice of any revisions to its terms that you or your landlord might propose, and we have the right to accept or reject those proposed revisions before they become effective.

## **C. Development of Shop**

Besides the deadline for obtaining site acceptance and signing an accepted Lease, you must within one (1) year after the Effective Date (or, if earlier, on or before the date specified in any Development Rights Agreement to which we and you (or your affiliate) are parties) (the "**Opening Deadline**") (i) secure all financing and obtain all permits and licenses required to construct and operate the Shop, (ii) construct all required improvements to the site and decorate the Shop in compliance with our approved plans and specifications, (iii) purchase or lease and install all required Operating Assets (defined below), (iv) purchase an opening inventory of required, authorized, and approved products, materials, and supplies, (v) complete all required training, and (vi) open your Shop for business in accordance with all requirements of this Agreement.

You must develop the Shop at your expense. We will give you construction guidelines and mandatory and suggested specifications and layouts for a RANDY'S DONUTS Shop (collectively, "**Plans**"), including requirements or recommendations (as applicable) for dimensions, design, interior layout, décor, signage, and Operating Assets. All other decisions regarding the Shop's development and layout, design, color scheme, finishes, improvements, décor, and Operating Assets are subject to our review and prior written approval. Our Plans

might not reflect the requirements of any federal, state, or local laws, codes, ordinances, or regulations (collectively, “**Laws**”), including those arising under the Americans with Disabilities Act, or any Lease requirements or restrictions. You are solely responsible for complying with all Laws and must inform us of any changes to the Shop’s specifications that you believe are necessary to ensure such compliance.

You must adapt the Plans for the Shop (the “**Adapted Plans**”) and make sure they comply with all Laws and Lease requirements and restrictions. We have the right to pre-approve the architect and general contractor you propose to use to develop the Shop before you hire them. You must send us the Adapted Plans for our written approval before beginning the Shop’s build-out and all revised or “as built” plans and specifications prepared during the Shop’s construction and development. You may not begin the Shop’s build-out until we approve the Adapted Plans in writing. Our review of the Adapted Plans is limited to reviewing your compliance with our Plans. Our review is not intended or designed to assess your compliance with Laws or Lease requirements and restrictions; compliance in those areas is your responsibility. You must develop the Shop in accordance with the Adapted Plans we have approved in writing. We own the Plans and all Adapted Plans. During the Shop’s build-out, we may physically inspect the Shop or require you to send us pictures and images (including recordings) of the Shop’s interior and exterior so we can review your development of the Shop in accordance with our Brand Standards.

You agree at your expense to construct, install all trade dress and Operating Assets in, and otherwise develop the Shop according to our standards, specifications, and directions. The Shop must contain all Operating Assets, and only those Operating Assets, we specify or pre-approve. You agree to place or display at the Shop (interior and exterior), according to our guidelines, only the signs, emblems, lettering, logos, and display materials we approve from time to time.

You agree to purchase or lease from time to time only approved brands, types, and models of Operating Assets according to our standards and specifications and, if we specify, only from one or more suppliers we designate or approve (which may include or be limited to us and/or certain of our affiliates). “**Operating Assets**” means all required furniture, fixtures, signs, and equipment (including components of and required software licenses for the Computer System (defined in Section 7.E)) we periodically require for the Shop and the business you operate under this Agreement.

#### **D. Opening**

You must open the Shop for business on or before the Opening Deadline, provided, however, you may not do so until:

- i. we or our designee inspects and approves in writing the Shop as having been developed in accordance with our specifications and standards. You must give us at least thirty (30) business days’ prior written notice of the Shop’s planned opening date and also notify us in writing when the Shop is ready for inspection or review. If we or our designee does not inspect or review the Shop within thirty (30) business days after you deliver notice

that the Shop is ready for inspection or review, or if we or our designee does not comment in writing within seven (7) business days after the inspection or review, then the Shop is deemed approved to open. Inspection and approval are limited to ensuring your compliance with our standards and specifications; our approval is not a representation that the Shop in fact complies with our standards and specifications or a waiver of our right to enforce any provision of this Agreement. Inspection and approval likewise are not intended or designed to assess compliance with Laws; compliance with Laws is your responsibility. We will not unreasonably withhold our approval of the Shop;

- ii. your Managing Owner and Operator, as applicable, have completed to our satisfaction the initial orientation and training programs described in Section 6.A;
- iii. the Shop has sufficient employees, trained by the Managing Owner or the Operator, to manage and operate the Shop on a day-to-day basis in compliance with Brand Standards;
- iv. your Managing Owner, the Operator, and the Shop's employees have completed all required third-party certifications for the food industry (including certifications required under Laws);
- v. you have satisfied all state and federal permitting, licensing, and other legal requirements for the Shop's lawful operation and, upon our request, have sent us copies of all permits, licenses, and insurance policies required by this Agreement;
- vi. all amounts due to us, our affiliates, and principal suppliers have been paid;
- vii. you are not in default under any agreement with us, our affiliates, or principal suppliers; and
- viii. you have met all other opening requirements we have established in our Operations Manual (defined in Section 6.H).

## 5. **Fees**

### A. **Initial Franchise Fee**

You must pay us a Thirty-Five Thousand Dollar (\$35,000) initial franchise fee (the “**Initial Franchise Fee**”) if this is your first RANDY’S DONUTS Shop and a Twenty-Five Thousand Dollar (\$25,000) Initial Franchise Fee if this is your second or subsequent RANDY’S DONUTS Shop. The Initial Franchise Fee is payable in a lump sum when you sign this Agreement. The Initial Franchise Fee is not refundable under any circumstances. We will credit toward the Initial Franchise Fee any deposit you (or an affiliate) paid us under a Development Rights Agreement.



## **B. Royalty**

You agree to pay us, on or before the Wednesday following the end of each calendar week (the “**Payment Day**”), a royalty (“**Royalty**”) equal to five percent (5%) of the Shop’s Gross Sales during the preceding calendar week. Each calendar week currently begins on Monday and ends on Sunday, although upon notice to you we have the right to change the first and last days of each calendar week for Royalty (and other payment) calculation purposes. In this Agreement, “**Gross Sales**” means the aggregate amount of all revenue and other consideration generated from any source, including, without limitation, revenue and other consideration generated from selling products, services, and merchandise (including delivery charges paid for deliveries made by the Shop’s employed staff); other types of revenue you receive, including the proceeds of business interruption insurance; and (if barter is permitted by us) the value of products, services, and merchandise bartered in exchange for the Shop’s products, services, or merchandise.

Gross Sales are not reduced by the amount paid to, collected by, or shared with third-party food ordering and delivery systems with which we allow the Shop to do business. All transactions must be entered into the Computer System at the full retail price for purposes of calculating Gross Sales. However, Gross Sales exclude: (i) federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; (ii) proceeds from insurance, excluding business interruption insurance; and (iii) proceeds from any civil forfeiture, condemnation, or seizure by government entities. In addition, Gross Sales are reduced by (i) the value of both employee discounts and (with our prior approval) promotional or marketing discounts offered to the public not exceeding, in the aggregate, two percent (2%) of the Shop’s weekly Gross Sales and (ii) the amount of any credits the Shop provides in accordance with the terms and conditions set forth in the Operations Manual. Each charge or sale upon credit will be treated as a sale for the full price on the day the charge or sale is made, irrespective of when you receive payment (whether full or partial, or at all) on that sale. Revenue from gift/loyalty/stored-value cards and similar items we approve for offer and sale at RANDY’S DONUTS Shops is included in Gross Sales when the card or other item is used to pay for products and services (although we have the right to collect our fees due on that revenue when the card is sold). Your Shop may not issue or redeem any gift certificates, coupons, or gift/loyalty/stored-value or similar cards unless we first approve in writing their form and content and your proposed issuing and honoring/redemption procedures. We have the right to grant or withhold our approval as we deem best.

We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change.

## **C. Payment Method and Timing**

You agree to sign and send us the documents we periodically require, or enable the electronic mechanism, authorizing us to debit your business checking or other account automatically for the Royalty, Brand Fund contribution, and other amounts due under this Agreement and any related agreement between us (or our affiliates) and you. If we institute an

automatic debit program for the Shop, we will debit your account on or before the Payment Day for the Royalty, Brand Fund contribution, and other amounts due. Funds must be available in the account before the Payment Day for withdrawal by electronic transfer. We have the right to require you to obtain, at your expense, overdraft protection for your bank account in an amount we specify. You must reimburse any “insufficient funds” charges and related expenses we incur due to your failure to maintain sufficient funds in your bank account.

If you fail to report the Shop’s Gross Sales when required, we have the right to debit your account for one hundred twenty-five percent (125%) of the Royalty, and Brand Fund contribution we debited for the previous payment period. If the amount we debit from your account is less than the amount you actually owe us for the payment period (once we determine the Shop’s actual Gross Sales), we will debit your account for the balance due on the day we specify. If the amount we debit from your account is greater than the amount you actually owe us for the payment period (once we determine the Shop’s actual Gross Sales), we will credit the excess, without interest, against the amount we may debit from your account for the following payment period.

We have the right, at our sole option upon notice to you, to change from time to time the timing and terms for payment of Royalties, Brand Fund contributions, and other amounts due to us under this Agreement. You may not subordinate to any other obligation your obligation to pay us Royalties, Brand Fund contributions, or any other amount due under this Agreement.

#### **D. Administrative Fee and Interest on Late Payments**

In addition to our other remedies, including, without limitation, the right to terminate this Agreement under Section 18, if you fail to pay (or make available for withdrawal from your account) any amounts you owe us or our affiliates relating to this Agreement or the Shop, those amounts will bear interest, accruing as of their original due dates, at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the Law allows, whichever is less. In addition, you must pay us a One Hundred Dollar (\$100) administrative fee for each payment not made to us or our affiliate when due (or for each dishonored payment) to cover the increased costs and expenses incurred due to your failure to pay the amounts when due.

#### **E. Application of Payments and Right of Set-Off**

Notwithstanding any designation you make, we have the right to apply any of your payments (whether made by debit or otherwise) to any of your past due indebtedness to us or our affiliates relating to this Agreement or the Shop. We have the right to set off any amounts you or your owners owe us or our affiliates against any amounts that we or our affiliates owe you or your owners, whether in connection with this Agreement or otherwise.

#### **F. Annual Increase in Fixed Fees and Amounts**

We reserve the right to increase any fixed fee, fixed payment, or fixed amount (i.e., not stated as a percentage) under this Agreement based on changes in the Index (defined below) (“**Annual Increase**”). An Annual Increase to such fees, payments, and amounts may occur only once during any calendar year and may not exceed the corresponding cumulative increase in the

Index since the Effective Date or, as the case may be, the date on which the last Annual Increase became effective for the particular fixed fee, payment, or amount being increased. Any and all Annual Increases will be made at the same time during the calendar year. “Index” refers to the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for all Items (1982 – 1984 = 100), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics, or in a successor index. Notwithstanding this Section, if any fixed fee, payment, or amount due under this Agreement encompasses any third-party charges we collect from you on a pass-through basis (i.e., for ultimate payment to the third party), we also reserve the right to increase the fixed fee, fixed payment, or fixed amount beyond the Annual Increase to reflect increases in the third party’s charges to us.

## **6. Training, Guidance, and Assistance**

### **A. Initial Orientation and Training**

If this is your first RANDY’S DONUTS Shop, your Managing Owner must attend an initial orientation session on the Franchise System at our principal business address or another designated location at a time we specify after the Franchise Agreement’s effective date (which may coincide with the training program). We also will furnish without additional charge, at a designated training location of our choice (which may be our corporate headquarters, an operating RANDY’S DONUTS Shop, and/or your Shop) and/or through video and other electronic means, an initial training program (“**Initial Training**”) on operating a RANDY’S DONUTS Shop for five (5) people, including your Operator, one (1) on-site Shop manager, and three (3) bakers. Initial Training will last for the time we specify and focuses on our philosophy, Brand Standards, and the material aspects of operating a RANDY’S DONUTS Shop, excluding aspects relating to labor relations and employment practices. Before you open the Shop to the public, your Operator, the Shop’s manager, and the Shop’s bakers must complete Initial Training to our satisfaction and pass applicable operations and proficiency tests. Our training program may include a “train the trainer” module so that your senior-level personnel can learn how to train your other employees to follow our Brand Standards. If this Agreement is for your (or your affiliate’s) second or successive RANDY’S DONUTS Shop, your Operator (if the same person) need not repeat the initial training program. The Shop must have on staff (besides the Operator) one (1) fully-trained manager and three (3) fully-trained bakers.

You are responsible for paying your employees’ wages, benefits, and TRE while they attend training. We will give you information about the number of hours your employees are actively involved in classroom and in-Shop training, and you are responsible for evaluating any other information you believe you need to ensure your employees are accurately paid during training. You also are responsible for maintaining workers’ compensation insurance over your employees during training and must send us proof of that insurance at the outset of the training program. Everyone attending training must have a state health certificate.

### **B. Retraining**

If your Operator fails to complete Initial Training to our satisfaction, or we determine after an inspection that retraining is necessary because the Shop is not operating according to Brand Standards, he or she may attend a retraining session for which we have the right to charge

our then-current training fee. You are responsible for all employee compensation and TRE during retraining. We have the right to terminate this Agreement if the Operator, or a Replacement Operator, fails to attend Initial Training or does not complete Initial Training to our satisfaction, as a result of which the Shop does not commence operation by the Opening Deadline with a fully-trained staff. The Initial Franchise Fee is not refundable under any circumstances.

You may request additional or repeat training for your Operator and Shop manager at the end of Initial Training if they do not feel sufficiently trained to operate a RANDY'S DONUTS Shop. We and you will jointly determine the duration of any additional training, which is subject to our personnel's availability. You must pay our then-current training fee for additional or repeat training. However, if you do not expressly inform us that your Operator and Shop manager do not feel sufficiently trained to operate a RANDY'S DONUTS Shop, they will be deemed to have been trained sufficiently to operate a RANDY'S DONUTS Shop.

### **C. Opening Set-Up and Support**

We will send an "opening team" (involving the number of people we determine) to the Shop in connection with its opening to the public for business for up to two (2) weeks (typically starting before and continuing after actual opening), as we deem best under the circumstances (including if this Agreement covers your second or subsequent RANDY'S DONUTS Shop), to help you train your supervisory employees on our philosophy and Brand Standards (but not matters relating to labor relations and employment practices) and prepare the Shop for opening. While we will pay our opening team's wages, you must pay our opening team's TRE. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase (excluding training relating to labor relations and employment practices), you must pay our personnel's daily charges (including wages) and TRE. We have the right to delay the Shop's opening until all required training has been satisfactorily completed.

### **D. Ongoing and Supplemental Training/Convention**

We have the right to require your Operator and the Shop's manager to attend and complete satisfactorily various training courses and programs offered periodically during the Term by us or third parties at the times and locations we designate. You are responsible for their compensation and TRE during their attendance. We have the right to charge our then-current fee for continuing and advanced training. If you request any training courses and programs to be provided locally, then subject to our training personnel's availability, you must pay our then-current training fee and our training personnel's TRE.

Besides attending and/or participating in various training courses and programs, at least one of your representatives (an owner or another designated representative we approve) must at our request (in our sole discretion) attend an annual meeting of all RANDY'S DONUTS Shop franchisees at a location we designate. You must pay all TRE to attend. You must pay any meeting fee we charge even if your representative does not attend (whether or not we excuse that non-attendance).

#### **E. Training For Replacement Operators**

If you no longer employ the Operator or become aware that the Operator intends to leave his or her position, you must immediately seek a new operator for the Shop (the “**Replacement Operator**”) in order to protect the RANDY’S DONUTS Shop brand. You must appoint the Replacement Operator within thirty (30) days after the last day of the former Operator’s employment. The Replacement Operator must satisfactorily complete training appropriate for the position. You must pay our then-current training fee for all Replacement Operators hired during the Term who must attend the replacement operator training program. You also are responsible for their compensation and TRE during training.

#### **F. Training for Shop Employees**

Your Operator and the Shop’s manager must properly train all Shop employees to perform the tasks required of their positions. We may develop and make available training tools and recommendations for you to use in training the Shop’s employees to comply with Brand Standards. We may update these training materials periodically to reflect changes in our training methods and procedures and changes in Brand Standards.

We have the right periodically and without prior notice to review the Shop’s performance to determine if the Shop meets our Brand Standards. If we determine that the Shop is not operating according to Brand Standards, we have the right, in addition to our other rights under this Agreement, to recommend that your Operator retrain one or more Shop employees.

#### **G. Training Cancellation Fee**

If your Operator or a Shop manager cancels participation in any training class or program for which he or she pre-registers and pays us a training fee, we will not refund or reimburse the training fee you paid. If participation is cancelled more than two (2) weeks before the class or program is scheduled to begin, we will apply one-half (½) of the training fee as a credit toward the fees due for a future training class or program that your Operator or manager attends. However, if participation is cancelled two (2) weeks or less before the class or program is scheduled to begin, you will receive no credit at all toward future training fees due. If your Operator or a manager cancels participation in any training class that is part of the initial training we provide for up to five (5) people for no additional fee after granting the Franchise to you, you must pay us a cancellation fee. The cancellation fee is one-half (½) of our then applicable training fee per person (depending on which class or program is involved) if the person cancels more than two (2) weeks before the class or program is scheduled to begin. The cancellation fee is one hundred percent (100%) of our then applicable training fee per person (depending on which class or program is involved) if the person cancels two (2) weeks or less before the class or program is scheduled to begin. This fee is due immediately and is not refundable.

#### **H. General Guidance and the Operations Manual**

We periodically will advise you or make recommendations regarding the Shop’s operation with respect to:

- i. standards, specifications, operating procedures, and methods that RANDY’S DONUTS Shops use;
- ii. purchasing required or recommended Operating Assets and other products, services, supplies, and materials;
- iii. supervisory employee training methods and procedures (although you are solely responsible for the employment terms and conditions of all Shop employees); and
- iv. accounting, advertising, and marketing.

We may guide you through our operations manual and other technical manuals (“**Operations Manual**”), in bulletins or other written materials, by electronic media, by telephone consultation, and/or at our office or the Shop. If you request and we agree to provide, or we determine that you need, additional or special guidance, assistance, or training, you agree to pay our then-applicable charges, including reasonable training fees and our personnel’s daily charges and TRE. Any specific ongoing training, conventions, advice, or assistance we provide does not obligate us to continue providing that training, convention, advice, or assistance, all of which we have the right to discontinue and modify at any time.

We will give you access to our Operations Manual, which will be made available to you in hardcopy or through the Intranet (defined in Section 7.F below) or another restricted website to which you will have password access. Any passwords or digital identifications necessary to access the Operations Manual are considered part of Confidential Information. The Operations Manual may consist of and is defined to include audio, video, computer software, other electronic and digital media, and/or written and other tangible materials. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules we periodically issue for developing and operating a RANDY’S DONUTS Shop (“**Brand Standards**”) and information on your other obligations under this Agreement. We have the right to modify the Operations Manual periodically to reflect changes in Brand Standards, but those modifications will not alter your fundamental rights or status under this Agreement. You agree to keep current your copy of the Operations Manual (if delivered in hardcopy) and timely communicate all updates to your employees. You must, as applicable, monitor the website periodically for updates to the Operations Manual or Brand Standards. You agree to keep all parts of the Operations Manual secure and restrict access to any passwords for accessing the Operations Manual. If there is a dispute over its contents, our master copy of the Operations Manual controls. You agree that the Operations Manual’s contents are confidential and not to disclose any part of the Operations Manual to any person other than Shop employees and others needing access in order to perform their duties, but only if they agree to maintain its confidentiality by signing a form of confidentiality agreement. We have the right to pre-approve the form used (an acceptable sample of which is attached as Exhibit E). You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual, except for certain forms specified in the Operations Manual.

While we have the right to pre-approve the form of confidentiality agreement you use with Shop employees and others having access to our Confidential Information in order to

protect that Confidential Information, under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations. In addition, Brand Standards do not include any personnel policies or procedures, or any Shop security-related policies or procedures, that we (at our option) may make available to you in the Operations Manual or otherwise for your optional use. You will determine to what extent, if any, these policies and procedures might apply to your Shop's operation. You and we agree that we do not dictate or control labor or employment matters for franchisees and RANDY'S DONUTS Shop employees, and we are not responsible for the safety and physical security of Shop employees, guests, and visitors.

## **I. Delegation**

We have the right from time to time to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether they are our affiliates, agents, or independent contractors with which we contract to perform such obligations.

## **7. Shop Operation and Brand Standards**

### **A. Condition and Appearance of Shop**

You may not use, or allow another to use, any part of the Shop for any purpose other than operating a RANDY'S DONUTS Shop in compliance with this Agreement. You must place or display at the Shop (interior and exterior), according to our guidelines, only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials we periodically specify. You agree to maintain the condition and appearance of the Shop, the site, and the Operating Assets in accordance with Brand Standards. Without limiting that obligation, you must take the following actions during the Term at your own expense: (i) thorough cleaning, repainting, and redecorating of the Shop's interior and exterior at intervals we periodically specify and at our direction; (ii) interior and exterior repair of the Shop and the site as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out, unsafe, non-functioning, or obsolete Operating Assets at intervals we periodically specify (or, if we do not specify an interval for replacing an Operating Asset, as that Operating Asset needs to be replaced in order to produce the products required to be offered by RANDY'S DONUTS Shops).

In addition to your obligations described above in clauses (i) through (iii), we periodically may modify Brand Standards, which may accommodate regional or local variations, and those modifications may obligate you to invest additional capital in the Shop and/or incur higher operating costs. You agree to implement any changes in mandatory Brand Standards within the time period we request as if they were part of this Agreement on the Effective Date. However, except for:

- (a) changes in the Computer System;
- (b) changes in signage and logo (i.e., Shop exterior and interior graphics);
- (c) changes provided in Sections 16.C.ii.(f) and (h) in connection with a transfer;
- (d) changes required by the Lease or applicable Law; and

- (e) your obligations in clauses (i) through (iii) in the first paragraph of this Section 7.A,

for all of which the timing and amounts are not limited during the Term, we will not obligate you to make any capital modifications (i.e., any modification that would qualify as a capital expenditure under generally-accepted accounting principles):

- i. during the first five (5) years after the Shop commences operation; or
- ii. during the last two (2) years of the Term, unless the proposed capital modifications during those last two (2) years (the amounts for which are not limited) are in connection with Shop upgrades, remodeling, refurbishing, and similar activities for your acquisition of a successor franchise (as provided in Section 17.iii).

This means that, besides the rights we reserve above in clauses (a) through (e), we have the right during the sixth (6<sup>th</sup>) through eighth (8<sup>th</sup>) years after the Shop commences operation (and unrelated to your potential acquisition of a successor franchise) to require you substantially to alter the Shop's appearance, layout, and/or design, and/or replace a material portion of the Operating Assets, in order to meet our then-current requirements and then-current Brand Standards for new RANDY'S DONUTS Shops. You acknowledge that this could obligate you to make extensive structural changes to, and significantly remodel and renovate, the Shop, and/or to spend substantial amounts for new Operating Assets. You agree to spend any sums required in order to comply with this obligation and our requirements (even if such expenditures cannot be amortized over the remaining Term), provided, however, that we will not require you to spend more than One Hundred Thousand Dollars (\$100,000) in the aggregate in connection with any remodeling and renovation project during the sixth (6<sup>th</sup>) through eighth (8<sup>th</sup>) years after the Shop commences operation. Within sixty (60) days after receiving written notice from us, you must prepare plans according to the standards and specifications we prescribe and, if we require, using architects and contractors we designate or approve, and you must submit those plans to us for written approval. You agree to complete all work according to the plans we approve within the time period we reasonably specify and in accordance with this Agreement.

We also may from time to time require you to participate in certain test programs for new products, services, and/or Operating Assets. This could obligate you to spend money for new Operating Assets and to incur other operating costs associated with the Shop. We need not reimburse you for those items. You agree to maintain and timely send us any records and reports we require related to the test programs. We have the right to discontinue any test programs before their scheduled completion dates and choose not to implement any changes to the Franchise System.

## **B. Compliance with Applicable Laws and Good Business Practices**

You must secure and maintain all licenses, permits, and certificates required for the Shop's operation and operate the Shop in full compliance with all Laws, including government regulations relating to occupational hazards, advertising, health, environment, employment, workers' compensation and unemployment insurance, and withholding and payment of federal



and state income taxes, social security taxes, and sales and service taxes. Your advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. The Shop must in all dealings with its customers, suppliers, us, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You may not engage in any business or advertising practice that could injure our business and the goodwill associated with the Marks, the Franchise System, and other RANDY'S DONUTS Shops. You must notify us in writing immediately if (i) any legal charge is asserted against you or the Shop (even if there is no formal proceeding), (ii) any action, suit, or proceeding is commenced against you or the Shop, (iii) you receive any report, citation, or notice regarding the Shop's failure to comply with any licensing, health, cleanliness, or safety Law or standard, or (iv) any bankruptcy or insolvency proceeding or an assignment for the benefit of creditors is commenced by or against you, your owners, or the Shop.

### **C. Compliance with Brand Standards**

You agree to comply with all Brand Standards, as we may periodically modify them, as if they were part of this Agreement. You may not offer, sell, or provide at or from the Shop any products or services not authorized in the Operations Manual. You must offer, sell, and provide all products and services we prescribe from time to time. Brand Standards may direct any aspect of the Shop's operation and maintenance, including any one or more of the following:

- i. required and/or authorized food products, beverages, recipes, and food-handling and preparation procedures; required and/or authorized services; unauthorized and prohibited food products, beverages, and services; storage, baking, and packaging procedures and techniques; and inventory requirements so the Shop may operate at full capacity. We always have the right to approve or disapprove in advance all items and services to be used or sold by the Shop. We have the right to withdraw our approval of previously-authorized products and services;
- ii. sales, marketing, advertising, and promotional programs and the materials and media used in those programs, including participating in and complying with the requirements of any special advertising, marketing, and promotional programs we periodically specify;
- iii. adequate staffing levels for the Shop to operate the Shop in compliance with Brand Standards, appearance of Shop personnel, and courteous service to customers. However, you have sole responsibility and authority for your labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Shop employees are exclusively under your control at the Shop. You must communicate clearly with Shop employees in your employment agreements, human resources manuals, written and electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of RANDY'S DONUTS Shops, and our affiliates are not their employer and

do not engage in any employer-type activities (including those described above) for which only franchisees are responsible. You must obtain an acknowledgment (in the form we specify or approve) from all Shop employees that you (and not we or our affiliates) are their employer;

- iv. standards, procedures, and requirements for responding to customer complaints, including reimbursing us promptly if we resolve a customer complaint because you fail to do so as or when required;
- v. maximum, minimum, or other pricing requirements for products and services the Shop sells, including requirements for national, regional, and local promotions, special offers, and discounts in which some or all RANDY'S DONUTS Shops must participate, and price advertising policies, in each case to the maximum extent the law allows;
- vi. standards and recommendations for training your Shop's supervisory personnel to follow Brand Standards;
- vii. use and display of the Marks at the Shop and on containers, labels, forms, paper and plastic products, and other supplies;
- viii. delivery services, including your obligation to deliver products to customers, to engage with third-party food ordering and delivery systems, and to ring up and account for delivery charges not included in the price of products only in the manner we permit;
- ix. quality-assurance, food-safety-audit, guest-satisfaction, and "mystery-shop" programs, including your using and paying directly (or reimbursing us for) our designated third-party service providers;
- x. minimum days and hours of operation;
- xi. accepting credit and debit cards and other payment systems (including cryptocurrency);
- xii. use of mobile or digital ordering and Franchise System applications and other digital channels ("Apps") for which we have the right to charge fees;
- xiii. issuing and honoring/redeeming gift certificates, coupons, gift/loyalty/stored-value cards, and similar items and administering customer loyalty and similar programs. You must participate in, and comply with the requirements of, our gift/loyalty/stored-value card and other customer loyalty programs (including paying any required fees). You agree that we have the right to draft from your bank account all monies paid to you for gift/loyalty/stored-value cards and similar customer loyalty initiatives and hold those monies until the gift/loyalty/stored-value cards and similar customer loyalty initiatives are redeemed at a RANDY'S DONUTS Shop. However, we have the right to keep any prepaid amounts

that are not used by customers to the extent allowed by Law. We have no obligation to reimburse you for any costs you incur in participating in our gift/loyalty/stored-value card and other customer loyalty programs, including for providing services or products to customers without compensation;

- xiv. standards and procedures for using blogs, common social networks like Facebook and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio, and video-sharing sites, and other similar social-networking media or tools (collectively, “**Social Media**”) that in any way reference the Marks or involve the Shop (except to the extent our standards or procedures are prohibited under Law); and
- xv. communicating with the Shop’s customers only through branded mobile Apps, branded email domains, online brand-reputation-management sites, or other channels we expressly designate and only for purposes related to the Shop’s operation;
- xvi. any other aspects of operating and maintaining the Shop that we determine are useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and RANDY’S DONUTS Shops.

Brand Standards will not include any employment-related policies or procedures or dictate or regulate the employment terms and conditions for the Shop’s employees. Any information we provide (in the Operations Manual or otherwise) concerning employment-related policies or procedures, or relating to employment terms and conditions for Shop employees, is only a recommendation, and not a requirement, for your optional use.

As described in Section 7.A above, we have the right periodically to modify and supplement Brand Standards, which may require you to invest additional capital in the Shop and incur higher operating costs. Those Brand Standards will constitute legally binding obligations on you when we communicate them. Although we retain the right to establish and modify periodically the Brand Standards you have agreed to follow, you retain complete responsibility and authority for the Shop’s management and operation and for implementing and maintaining Brand Standards at the Shop.

You acknowledge the importance of operating the Shop in full compliance with this Agreement and Brand Standards. You further acknowledge that your deviation from any contractual requirement, including any Brand Standard, is a violation of this Agreement and will trigger incalculable administrative and management costs for us to address the violation (separate and apart from any damages your violation might cause to the Franchise System, our business opportunities, or the goodwill associated with the Marks). Therefore, you agree to compensate us for our incalculable administrative and management costs by paying us Two-Hundred-Fifty Dollars (\$250) for each deviation from a contractual requirement, including any Brand Standard, cited by us (**the “Non-Compliance Fee”**). (The Non-Compliance Fee does not apply to payment defaults for which we have the right to charge late fees and interest under Section 5.D above.)

We and you deem the Non-Compliance Fee to be a reasonable estimate of our administrative and management costs and not a penalty. We have the right to debit your bank account for Non-Compliance Fees or set off monies otherwise due and payable to you to cover the payment of Non-Compliance Fees. We must receive the Non-Compliance Fee within five (5) days after we notify you that we are charging it due to your violation. We need not give you a cure opportunity before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not prevent us from seeking to recover damages to the Franchise System, our business opportunities, or the goodwill associated with the Marks due to your violation, seeking injunctive relief to restrain any subsequent or continuing violation, and/or formally defaulting you and terminating this Agreement under Section 18.B.

#### **D. Approved Products, Services, and Suppliers**

(1) We have the right periodically to designate and approve standards, specifications, brands, models, manufacturers, suppliers, and/or distributors for the Operating Assets and other products and services we periodically authorize for use or sale by RANDY'S DONUTS Shops. You must purchase or lease all Operating Assets and other products and services you use or sell at the Shop only according to our Brand Standards and, if we require, only from suppliers or distributors we designate or approve (which may include or be limited to us, certain of our affiliates, and/or other restricted sources). We and/or our affiliates may derive revenue based on your purchases and leases, including, without limitation, from charging you (at prices exceeding our and their costs) for products and services we or our affiliates sell you and from promotional allowances, volume discounts, and other amounts paid to us and our affiliates by suppliers that we designate, approve, or recommend for some or all RANDY'S DONUTS Shop franchisees. We and our affiliates may use all amounts received from suppliers, whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes we and our affiliates deem appropriate.

(2) If you want to purchase or lease any Operating Assets or other products or services from a supplier or distributor we have not then approved (if we require you to buy or lease the product or service only from an approved supplier or distributor), then you must establish to our reasonable satisfaction that the product or service is of equivalent quality and functionality to the product or service it replaces and the supplier or distributor is, among other things, reputable, financially responsible, and adequately insured for product liability claims. You must pay upon request any actual expenses we incur to determine whether or not the products, services, suppliers, or distributors meet our requirements and specifications.

(3) We have the right to condition our written approval of a supplier or distributor on requirements relating to product quality and safety, prices, consistency, warranty, reliability, financial capability, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), and other criteria. We have the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product samples or items, at our option, either directly to us or to any third party we designate for testing. If we approve a supplier or distributor you recommend, you agree that we may allow other RANDY'S DONUTS Shops to purchase or lease the Operating Assets or other products or services from those suppliers or distributors without limitation and without compensation to you.

(4) Despite the foregoing, we have the right to limit the number of approved suppliers and distributors with which you may deal, designate sources you must use, and refuse any of your requests for any reason, including, without limitation, because we have already designated an exclusive source (which might be us or one of our affiliates) for a particular item or service or believe that doing so is in the RANDY'S DONUTS Shop network's best interests. We make no guaranty, warranty, or promise that we will obtain the best pricing or most advantageous terms on behalf of RANDY'S DONUTS Shops. We also do not guaranty the performance of suppliers and distributors to RANDY'S DONUTS Shops. We are not responsible or liable if the products or services provided by a supplier or distributor fail to conform to or perform in compliance with Brand Standards or our contractual terms with the supplier or distributor.

(5) (a) Without limiting any of our and our affiliate's rights in this Section 7.D, if we or one of our affiliates constructs, develops, and begins operating a food production commissary in, or in proximity to, the Shop's market area for the purpose of producing for and supplying to, and with the capacity to produce for and supply to, the Shop and other RANDY'S DONUTS Shops in proximity to the food production commissary their entire required inventory of donuts and, if applicable (in our opinion), other core products offered by RANDY'S DONUTS Shops, we have the right to require the Shop to purchase its entire required inventory of donuts and, if applicable (in our opinion), other core products exclusively from the food production commissary. If we exercise this right, the Shop no longer will be allowed to produce such products at the Shop and will be required to cease all in-Shop production activity at our direction (except with our prior written approval or in the case of an emergency).

(b) The wholesale prices that we or our affiliate has the right to charge the Shop for the inventory of products it is required to purchase from the designated food production commissary will not exceed the fully-loaded production costs for such inventory that the Shop would have incurred had it produced such inventory in-Shop with its own equipment and facilities.

(c) If we or our affiliate, after constructing, developing, and operating the food production commissary described and permitted in clause (a) above, chooses for whatever reason (in our or its sole judgment) to cease operating that food production commissary, you will receive no less than six (6) months' prior written notice of the effective date of our or its intended cessation of operation. However, we or our affiliate will not cease operating the food production commissary until either, in our sole judgment:

(i) you have taken all steps necessary to equip the Shop, in compliance with Brand Standards, to produce on-site its entire required inventory of products (formerly prepared by the food production commissary), which steps you must commence immediately after receiving our notice and complete within the timeframe we specify; or

(ii) we arrange with an alternative third-party supplier to produce for and supply to the Shop its entire required inventory of donuts and, if applicable (in our opinion), other core products offered by RANDY'S DONUTS Shops,

either at the original food production commissary established by us or our affiliate or elsewhere, and to sell such products to the Shop at wholesale prices comparable to the wholesale prices at which we or our affiliate sold such products to the Shop from our or its food production commissary.

(d) Notwithstanding anything to the contrary in this Section 7.D(5), we and our affiliates will not require the Shop to purchase its required inventory of donuts and, if applicable, other core products offered by RANDY'S DONUTS Shops from a food production commissary that we or our affiliate constructs, develops, and begins operating in, or in proximity to, the Shop's market area if, as of that time, you or your affiliate already constructed, developed, and began operating (with our prior written approval) your or its own food production commissary in order to supply the Shop and your or its other RANDY'S DONUTS Shops in the market area with their required inventory of products for a RANDY'S DONUTS Shop.

(6) We have the right (without liability) to consult with your suppliers about the status of your account with them and to advise your suppliers and others with whom you, we, our affiliates, and other franchisees deal that you are in default under any agreement with us or our affiliates (but only if we or our affiliate has notified you of such default).

#### **E. Computer System**

You agree to obtain and use the computer hardware and software, point-of-sale system, dedicated telephone and power lines, modems, printers, tablets, smart phones, and other computer-related accessories and peripheral equipment we periodically specify (the "**Computer System**"). You must use the Computer System to access the Intranet and to input and access information about your sales and operations. You must maintain the Computer System's continuous operation. We will have unlimited access to all information maintained on the Computer System (excluding matters relating to labor relations and employment practices) and to the content of any RANDY'S DONUTS e-mail accounts we provide you.

We have the right periodically to modify the Computer System's specifications and components. Our modification of Computer System specifications, and/or other technological developments or events, may require you to purchase, lease, or license new or modified computer hardware, software, peripherals, and other components and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, you must incur the costs to obtain the computer hardware, software, peripherals, and other components comprising the Computer System (and additions and modifications) and required service or support. Within ninety (90) days after we deliver notice to you, you must obtain the Computer System components we designate and ensure that your Computer System, as modified, is functioning properly.

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 Intranet), on your signing a software license agreement, liability waiver, and/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 prescribe to regulate your use of, and our (or our affiliates') and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you upfront and ongoing fees for any required or recommended proprietary software or technology we or our affiliates choose to create, develop, modify, and license to you and for other Computer System maintenance and support services and programs provided during the Term.

Despite your obligation to buy, use, and maintain the Computer System according to our standards and specifications, you have sole and complete responsibility for: (1) acquiring, operating, maintaining, and upgrading the Computer System; (2) the manner in which your Computer System interfaces with our and any third party's computer system; (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded; and (4) independently determining what is required for you to comply (and then complying) at all times with the most current version of the Payment Card Industry Data Security Standards, and with all Laws governing the use, disclosure, and protection of Consumer Data (defined in Section 10) and the Computer System, and validating compliance with those standards and Laws as may be periodically required. The Computer System must permit twenty-four (24) hours per day, seven (7) days per week electronic communications between you and us, including access to the Internet and Intranet (but excluding matters relating to labor relations and employment practices).

## **F. Intranet**

We have the right, at our option, to establish and maintain an Intranet. We will issue Brand Standards for the Intranet's use. Those Brand Standards will address, among other things, (1) restrictions on using abusive, slanderous, or otherwise offensive language in electronic communications, (2) restrictions on communications among franchisees endorsing or encouraging breach of any franchisee's franchise agreement, (3) confidential treatment of materials we transmit via the Intranet, (4) password protocols and other data security precautions, (5) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, (6) a privacy policy governing our access to and use of electronic communications that franchisees post on the Intranet, and (7) our right to remove any posts we consider to be inconsistent with our Brand Standards for the Intranet's use. We expect to adopt and adhere to a reasonable privacy policy. However, as the Intranet's administrator, we have the right to access and view any communication posted on the Intranet. We will own all intellectual property and other rights in the Intranet and all information it contains, including its domain name or URL, the log of "hits" by visitors, any personal or business data visitors supply, and all information relating to the Shop's customers, whether that information is contained on your Computer System or our (or our designee's) computer system (collectively, the "**Data**").

After we notify you that the Intranet has become functional, you must establish and continually maintain electronic connection with the Intranet allowing us to send messages to and receive messages from you. Your obligation to maintain connection with the Intranet applies during the entire Term (unless we dismantle the Intranet or suspend your access). You must pay our then-current monthly or other fee to participate in the Intranet or as we otherwise require to maintain and operate the Intranet (if, or to the extent, the Brand Fund does not pay for those costs). If you fail to pay when due any required amount, or fail to comply with any Intranet

Brand Standard, we have the right (in addition to our other rights under this Agreement) temporarily to suspend your access to any chat room, bulletin board, list-serve, or similar feature the Intranet includes until you fully cure the breach.

## **8. Marks**

### **A. Ownership and Goodwill of Marks**

Your right to use the Marks is derived only from this Agreement and is limited to your operating the Shop according to this Agreement and all mandatory Brand Standards we prescribe during the Term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. Any use of the Marks relating to the Shop, and any goodwill that use establishes, are for our exclusive benefit. We have the right to take the action necessary to enforce all trademark use obligations under this Agreement. This Agreement does not confer any goodwill or other interests in the Marks upon you, other than the right to operate the Shop according to this Agreement. All provisions in this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we periodically authorize you to use. You may not at any time during or after the Term contest or assist any other person to contest the validity, or our ownership, of the Marks.

### **B. Limitations on Use of Marks**

You agree to use the Marks as the Shop's sole identification, subject to the notices of independent ownership we periodically designate. You may not use any Mark (i) as part of any corporate or legal business name, (ii) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we license to you), (iii) in selling any unauthorized products or services, (iv) as part of any domain name, homepage, electronic address, metatag, or otherwise in connection with any website or other online presence without our consent, (v) in any user name, screen name, or profile in connection with any Social Media sites, except in compliance with our guidelines set forth in the Operations Manual or otherwise communicated to you, or (vi) in any other manner we have not expressly authorized in writing. You may not use any Mark to advertise the transfer, sale, or other disposition of the Shop or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You must give the notices of trademark and service mark registrations we periodically specify and obtain any fictitious or assumed name registrations that applicable Law requires. You may not pledge, hypothecate, or grant a security interest in any property that bears or displays the Marks (unless the Marks are readily removable from such property) and must advise your proposed lenders of this restriction.

To the extent you use any Mark in employment-related materials, you must include a clear disclaimer that you (and only you) are the employer of Shop employees and that we, as the franchisor of RANDY'S DONUTS Shops, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all Shop employees that you (and not we or our affiliates) are their employer.



### **C. Notification of Infringements and Claims**

You agree to notify us immediately of any actual or apparent infringement or challenge to your use of any Mark, any person's claim of any rights in any Mark (or any identical or confusingly similar trademark), or unfair competition relating to any Mark. You may not communicate with any person other than us, our attorneys, and your attorneys regarding any infringement, challenge, or claim. We have the right to take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You must sign any documents and take any other reasonable actions we and our attorneys deem necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

### **D. Discontinuance of Use of Marks**

If we believe at any time that it is advisable for us and/or you to modify, discontinue using, and/or replace any Mark, and/or to use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse your expenses to comply with those directions (such as your costs to change signs or to replace supplies for the Shop), any loss of revenue due to any modified or discontinued Mark, or your expenses to promote a modified or substitute trademark or service mark.

### **E. Indemnification for Use of Marks**

We agree to reimburse your damages and expenses incurred in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement, provided your use has been consistent with this Agreement, the Operations Manual, and Brand Standards communicated to you and you have timely notified us of, and complied with our directions in responding to, the proceeding. At our option, we have the right to defend and control the defense of any proceeding arising from or relating to your use of any Mark under this Agreement.

## **9. Confidential Information**

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law, relating to developing and operating RANDY'S DONUTS Shops (the "**Confidential Information**"), which includes, but is not limited to:

- i. information in the Operations Manual and our Brand Standards (including ingredients, recipes, and food-preparation techniques);
- ii. layouts, designs, and other Plans for RANDY'S DONUTS Shops;

- iii. methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating RANDY'S DONUTS Shops;
- iv. marketing research and promotional, marketing, and advertising programs for RANDY'S DONUTS Shops;
- v. strategic plans, including expansion strategies and targeted demographics;
- vi. knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, products, services, materials, and supplies that RANDY'S DONUTS Shops use and sell;
- vii. knowledge of the operating results and financial performance of RANDY'S DONUTS Shops other than the Shop;
- viii. customer solicitation, communication, and retention programs, along with Data used or generated in connection with those programs;
- ix. all Data and other information generated by, or used or developed in, operating the Shop, including Consumer Data, and any other information contained from time to time in the Computer System or that visitors (including you) provide to the System Website; and
- x. any other information we reasonably designate as confidential or proprietary.

You will not acquire any interest in any Confidential Information, other than the right to use certain Confidential Information as we specify in operating the Shop during the Term according to Brand Standards and this Agreement's other terms and conditions. You acknowledge that using any Confidential Information in another business would constitute an unfair method of competition with us and our affiliates, suppliers, and franchisees. You acknowledge and agree that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you, your owners, and your employees agree, and you and they do agree:

- i. not to use any Confidential Information in another business or capacity and at all times to keep Confidential Information absolutely confidential, both during and after the Term (afterward for as long as the information is not generally known in the baked and fried goods industry);
- ii. not to make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;
- iii. to adopt and implement all reasonable procedures we periodically specify to prevent unauthorized use or disclosure of Confidential Information, including disclosing it only to Shop personnel and others needing to know the Confidential Information in order to operate the Shop and using confidentiality and non-

disclosure agreements with those having access to Confidential Information. (We have the right to pre-approve the forms of agreements you use solely to ensure that you adequately protect Confidential Information and the competitiveness of RANDY'S DONUTS Shops. Under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations or employment practices); and

- iv. not to sell, trade, or otherwise profit in any way from the Confidential Information (including by selling or assigning any Consumer Data or related information or Data), except during the Term using methods we have approved.

“Confidential Information” does not include information, knowledge, or know-how that lawfully is or becomes generally known in the baked and fried goods industry or that you knew from previous business experience before we gave you access to it (directly or indirectly) or before you began training or operating the Shop. If we include any matter in Confidential Information, anyone claiming it is not Confidential Information must prove that the exclusion in this paragraph applies.

## **10. Consumer Data**

You must comply with our reasonable instructions regarding the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of the names, addresses, telephone numbers, e-mail addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of customers (“**Consumer Data**”) and, in any event, employ reasonable means to safeguard the confidentiality and security of Consumer Data. You must comply with all Laws governing the use, protection, and disclosure of Consumer Data.

If there is a Data Security Incident at the Shop, you must notify us immediately after becoming aware of the actual or suspected occurrence, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the Data Security Incident in order to protect Consumer Data and the RANDY'S DONUTS Shop brand (including giving us or our designee access to your Computer System, whether remotely or at the Shop). We (and our designated affiliates) have the right, but no obligation, to take any action or pursue any proceeding or litigation with respect to the Data Security Incident, control the direction and handling of such action, proceeding, or litigation, and control any remediation efforts.

“**Data Security Incident**” means any act that initiates either internally or from outside the Shop's computers, point-of-sale terminals, and other technology or networked environment and violates the Law or explicit or implied security policies, including attempts (either failed or successful) to gain unauthorized access (or to exceed authorized access) to the Franchise System, RANDY'S DONUTS Shops, or their Data or to view, copy, or use Consumer Data or Confidential Information without authorization or in excess of authorization; unwanted disruption or denial of service; unauthorized use of a system for processing or storage of Data; and changes to system hardware, firmware, or software characteristics without our knowledge, instruction, or consent.

If we determine that any Data Security Incident results from your failure to comply with this Agreement or any requirements for protecting the Computer System and Consumer Data, you must (a) indemnify us under Section 20.E and (b) compensate us for all other damages we incur as a result of your breach of this Agreement.

## **11. Innovations**

All ideas, concepts, techniques, or materials relating to a RANDY'S DONUTS Shop, whether or not protectable intellectual property and whether created by or for you or your owners, employees, or contractors ("**Innovations**"), must be promptly disclosed to us and will be deemed to be our sole and exclusive property and works made-for-hire for us. To the extent any Innovation does not qualify as a "work made-for-hire" for us, by this paragraph you assign ownership of and all related rights to that Innovation to us and agree to sign (and to cause your owners, employees, and contractors to sign) whatever assignment or other documents we periodically request to evidence our ownership and to help us obtain intellectual property rights in the Innovation. You may not use any Innovation in operating the Shop or otherwise without our prior written approval.

## **12. Exclusive Relationship**

You acknowledge that we granted you the rights under this Agreement in consideration of and reliance upon your and your owners' agreement to deal exclusively with us with respect to the products and services that RANDY'S DONUTS Shops offer and sell. You therefore agree that, during the Term, neither you, your owners, nor any members of your or their Immediate Families (defined below) will:

- i. have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in a Competitive Business (defined below), wherever located or operating, provided that this restriction will not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange and representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding;
- ii. perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;
- iii. directly or indirectly loan any money or other thing of value, or guarantee any other person's loan, to any Competitive Business or any owner, director, officer, manager, or employee of any Competitive Business, wherever located or operating; or
- iv. divert or attempt to divert any actual or potential business or customer of the Shop to a Competitive Business.

The term "**Competitive Business**," as used in this Agreement, means any (a) business that manufactures, distributes, or sells donuts, donut-based products, or donut-related products, or (b) business that derives more than twenty-five percent (25%) of its revenue from selling coffee, or

(c) business granting franchises or licenses to others to operate the types of businesses described in clauses (a) or (b), other than a RANDY'S DONUTS Shop operated under a franchise agreement with us.

The term “**Immediate Family**” includes the named individual, his or her spouse, and all children of the named individual or his or her spouse. You agree to obtain similar covenants from your senior personnel whom we specify, including the Operator and officers and directors, by having them sign the form of agreement we specify or pre-approve. We have the right to pre-approve the forms of agreements you use solely to ensure that you adequately protect Confidential Information and the competitiveness of RANDY'S DONUTS Shops. Under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations or employment practices.

### **13. Advertising and Marketing**

#### **A. Market Introduction Program**

You must conduct, and spend at least Ten Thousand Dollars (\$10,000) on, a public relations and market introduction program for the Shop. We expect this program to begin approximately one (1) month before and to continue for approximately one (1) month after the Shop opens (although we have the right to specify a different timeframe). We will consult with you about the type of public relations and market introduction program that we believe is most suitable for your Shop's market. We must pre-approve in writing your proposed public relations and market introduction program, and you must send it to us for review at least forty-five (45) days, before its planned rollout date. If we do not accept the public relations and market introduction program in writing within fifteen (15) days after receiving it, it will be deemed rejected. You agree to implement the approved program according to Brand Standards and our other requirements. At our request, you must pay us for the program's anticipated costs, which we then will either spend on your behalf in the Shop's market or re-pay you as you send us invoices or receipts confirming your commitment with vendors to move forward with the approved program.

#### **B. Brand Fund**

We have the right, upon delivery of written notice to you, to establish a fund (“**Brand Fund**” or “**Fund**”) for advertising, marketing, research and development, public relations, social media management, and customer relationship management programs and materials, the purpose of which is to enhance, promote, and protect the RANDY'S DONUTS Shop brand and Franchise System. You agree to contribute to the Brand Fund the amounts we periodically specify, not to exceed four percent (4%) of the Shop's weekly Gross Sales. Your Brand Fund contribution is due and payable at the same time and in the same manner as the Royalty or in such other manner we periodically specify.

The aggregate amount we have the right to require you to pay as a Brand Fund contribution, together with your Local Marketing Spending Requirement and required Cooperative expenditures under Section 13.D and 13.E below, will not exceed five percent (5%) of the Shop's Gross Sales. Except as otherwise provided in this Agreement, we have the right to

adjust the percentages among these various required advertising expenditures throughout the Term.

Until the total number of operational franchised RANDY'S DONUTS Shops equals the total number of operational company- and affiliate-owned RANDY'S DONUTS Shops, the operational company- and affiliate-owned RANDY'S DONUTS Shops collectively are only required to match each calendar-week period the total Brand Fund contributions actually made during that calendar-week period by all operational franchised RANDY'S DONUTS Shops. Once the total number of operational franchised RANDY'S DONUTS Shops equals the total number of operational company- and affiliate-owned RANDY'S DONUTS Shops, each operational company- and affiliate-owned RANDY'S DONUTS Shop will contribute to the Brand Fund each calendar-week period on the same percentage basis as franchisees, provided, however, that no operational company- or affiliate-owned RANDY'S DONUTS Shop must contribute to the Brand Fund during any calendar-week period during the Term more than the highest-contributing operational franchised RANDY'S DONUTS Shop actually contributed during that calendar-week period.

We will direct all programs the Brand Fund finances, with sole control over all creative and business aspects of the Fund's activities. The Brand Fund may pay for, among other things, preparing, producing, and placing video, audio, and written materials, digital and electronic media, and Social Media; developing, maintaining, and administering one or more System Websites; administering national, regional, and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; establishing regional and national promotions and partnerships and hiring spokespersons to promote the RANDY'S DONUTS Shop brand; and supporting public relations, market research and development, and other advertising, promotion, marketing, and brand-related activities. The Brand Fund periodically may give you sample advertising, marketing, promotional, and social-media formats and materials (collectively, "**Marketing Materials**") at no cost. We may sell you multiple copies of Marketing Materials at our direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Brand Fund separately from our other funds (although we need not keep Brand Fund contributions in a separate bank account) and not use the Brand Fund for any of our general operating expenses. However, the Brand Fund may reimburse us and our affiliates for the reasonable salaries and benefits of personnel (including our owners) who manage and administer, or otherwise provide assistance or services to, the Brand Fund; the Brand Fund's administrative costs; TRE of our personnel while they are on Brand Fund business; meeting costs; overhead relating to Brand Fund business; and other expenses we and our affiliates incur administering or directing the Brand Fund and its programs, including conducting market research, preparing Marketing Materials, collecting and accounting for Brand Fund contributions, paying taxes due on Brand Fund contributions we receive, and any other costs or expenses we incur operating or as a consequence of the Fund. The Brand Fund is not a trust, and we do not owe you fiduciary obligations because we maintain, direct, or administer the Brand Fund or for 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, invest any surplus for future use, and roll over unspent monies to the following

year. We have the right to use new Brand Fund contributions to pay Brand Fund deficits incurred during previous years. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. We will prepare an annual, unaudited statement of Brand Fund collections and expenses and post the statement on the Intranet within sixty (60) days after our fiscal year end or otherwise give you a copy of the statement upon reasonable request. We have the right to (but need not) have the Brand Fund audited annually, at the Brand Fund's expense, by a certified public accountant we designate. We have the right to 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 in this Section 13.B.

The Brand Fund's principal purposes are to maximize recognition of the Marks, increase patronage of RANDY'S DONUTS Shops, and enhance, promote, and protect the RANDY'S DONUTS Shop brand and Franchise System. Although we will try to use the Brand Fund in the aggregate to develop and implement Marketing Materials and programs benefiting all RANDY'S DONUTS Shops, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by RANDY'S DONUTS Shops operating in that geographic area or that any RANDY'S DONUTS Shop benefits directly or in proportion to its Brand Fund contribution from the development of Marketing Materials or the implementation of programs. The Brand Fund will not be used principally to develop materials and programs to solicit franchisees. However, media, materials, and programs (including the System Website) prepared using Brand Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. We have the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect unpaid Brand Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. Except as expressly provided in this Section 13.B, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We have the right at any time to defer or reduce the Brand Fund contributions of any RANDY'S DONUTS Shop franchisee and, upon thirty (30) days' prior written notice to you, reduce or suspend Brand Fund contributions and 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 either (i) spend the remaining Fund balance on permitted programs and expenditures or (ii) distribute all unspent funds to our then-existing franchisees, and to us and our affiliates, in proportion to their and our respective Brand Fund contributions during the preceding twelve (12) month period.

### **C. Approval of Marketing and Other External Communications**

All advertising, promotion, marketing, and public relations activities you conduct and Marketing Materials you prepare must be legal and not misleading and conform to the policies set forth in the Operations Manual or that we otherwise prescribe from time to time. To protect the goodwill that we and certain of our affiliates have accumulated in the "RANDY'S DONUTS" name and other Marks, at least thirty (30) days before you intend to use them, you must send us samples or proofs of (a) all Marketing Materials we have not prepared or already approved, and (b) all Marketing Materials we have prepared or already approved which you

propose to change in any way. However, you need not send us any Marketing Materials in which you have simply completed the missing Shop-specific or pricing information based on templates we sent you. If we do not approve your Marketing Materials in writing within thirty (30) days after we actually receive them, they will be deemed approved for use. We will not unreasonably withhold our approval. You may not use any Marketing Materials we have not approved or have disapproved. We reserve the right upon thirty (30) days' prior written notice to require you to discontinue using any previously-approved Marketing Materials.

#### **D. Local Marketing**

You agree to spend the amounts we periodically specify, not to exceed two percent (2%) of the Shop's monthly Gross Sales, on approved Marketing Materials and advertising, marketing, and promotional programs for the Shop (the "**Local Marketing Spending Requirement**"). You must prepare, or collaborate with us to prepare, a written local marketing plan for the Local Marketing Spending Requirement and send us the plan for review and pre-approval according to our specified process. We will not count any of the following expenditures towards your Local Marketing Spending Requirement: Brand Fund contributions, price discounts or reductions you provide as a promotion, permanent on-premises signs, lighting, personnel salaries, administrative costs, transportation vehicles (even if they display the Marks), employee incentive programs, and other amounts that we, in our reasonable judgment, deem inappropriate to satisfy the Local Marketing Spending Requirement. We have the right to review your books and records, and require you to submit reports periodically, to determine your advertising, marketing, and promotion expenses. If you fail to spend (or prove that you spent) the Local Marketing Spending Requirement, we have the right, in addition to and without limiting our other rights and remedies, to require you to contribute the shortfall to the Brand Fund for use as provided in Section 13.B above.

The aggregate amount for your Local Marketing Spending Requirement under this Section 13.D, together with your required Brand Fund contribution and Cooperative expenditures under Sections 13.B and 13.E, will not exceed five percent (5%) of the Shop's Gross Sales. Except as otherwise provided in this Agreement, we have the right to adjust the percentages among these various required advertising expenditures throughout the Term.

You acknowledge that the marketing activities in which you engage will materially affect your Shop's success or lack of success. While you agree to the Local Marketing Spending Requirement above, that amount might be insufficient for you to achieve your business objectives. Subject to the requirements above, you alone are responsible for determining how much to spend on, and the nature of, Marketing Materials and other approved advertising, marketing, and promotional programs for the Shop in order to achieve your business objectives.

#### **E. Regional Advertising Cooperatives**

We have the right to designate a geographic area for an advertising cooperative (a "**Cooperative**"). The Cooperative's members in any area are the owners of all RANDY'S DONUTS Shops located and operating in that area (including us and our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, we determine. We have the right to change, dissolve, and merge Cooperatives. Each



Cooperative's purpose is, with our approval, to administer advertising programs and develop Marketing Materials for the area the Cooperative covers. If, as of the Effective Date, we have established a Cooperative for the geographic area in which the Shop is located, or if we establish a Cooperative in that area during the Term, you automatically will become a member of the Cooperative and then must participate as its governing documents require. You agree to contribute the amounts we periodically specify, not to exceed two percent (2%) of the Shop's monthly Gross Sales, to the Cooperative. One-half (½) of the Cooperative dues you contribute will count toward the Local Marketing Spending Requirement under Section 13.D but will not affect your public relations and market introduction program obligations under Section 13.A.

The aggregate amount for your Cooperative expenditures under this Section 13.E, together with your required Brand Fund contribution and the Local Marketing Spending Requirement under Sections 13.B and 13.D, will not exceed five percent (5%) of the Shop's Gross Sales. Except as otherwise provided in this Agreement, we have the right to adjust the percentages among these various required advertising expenditures throughout the Term.

#### **F. System Website**

We or our designees may establish a website or series of websites for the RANDY'S DONUTS Shop network: (1) to advertise, market, identify, and promote RANDY'S DONUTS Shops, the products and services they offer, and/or the RANDY'S DONUTS Shop franchise opportunity; (2) to help us operate the RANDY'S DONUTS Shop network; and/or (3) for any other purposes we deem appropriate for RANDY'S DONUTS Shops or our other business activities (collectively, the "**System Website**"). The System Website may, but need not, provide you with a separate interior webpage or "micro-site" (accessible only through the System Website) ("Micro-Site") referencing your Shop and/or otherwise allow you to participate in the System Website. At our request, you must develop your Micro-Site at your own expense using a template we provide. We must pre-approve your Micro-Site before it is posted by our webmaster on the System Website and also have the continuing right to monitor and pre-approve your Micro-Site's form, content, and quality during the Term. We have the right to reject your Micro-Site if its form or content is unacceptable to us. Your Micro-Site always must comply with Brand Standards. You may modify your Micro-Site only through and with the pre-approval of our webmaster. You must give us the information and materials we request for you to participate in the System Website, whether or not on a Micro-Site. In doing so, you represent that they are accurate and not misleading and do not infringe another party's rights. We will own all intellectual property and other rights in the System Website, your Micro-Site, and all information they contain (including, without limitation, any Data).

We will control, and may use Brand Fund contributions to develop, maintain, operate, update, and market, the System Website, including your Micro-Site (if any). We will update or add information on your Micro-Site, if any, as frequently as we deem appropriate. You must notify us whenever any information on your Micro-Site changes or is not accurate. You must pay our then-current monthly or other fee to participate in the various aspects of the System Website or as we otherwise require to maintain and operate the System Website's various features and functions (if, or to the extent, the Brand Fund does not pay for these costs). We have final approval rights over all information on the System Website, including your Micro-Site, if any.

We have the right to implement and periodically modify Brand Standards for the System Website.

We will maintain your Micro-Site, if any, and otherwise allow you to participate in the System Website only while you are in substantial compliance with this Agreement and all Brand Standards (including those for the System Website). If you are in material default of any obligation under this Agreement or Brand Standards, we have the right, in addition to our other remedies, temporarily to suspend your participation in the System Website until you fully cure the default. We will permanently terminate your access to and participation in the System Website upon this Agreement's expiration or termination.

All Marketing Materials you develop for the Shop must contain notices of the System Website's URL in the manner we periodically designate. You may not develop, maintain, or authorize any other website, online presence, or electronic medium mentioning or describing the Shop or displaying any Marks without our prior written approval. Except for the System Website, you 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.

Nothing in this Section limits our right to maintain websites other than the System Website or to offer and sell products and services under the Marks from the System Website, another website, or otherwise over the Internet without payment or any other obligation to you.

#### **14. Records, Reports, and Financial Statements**

In order to assure consistency and reliability with respect to the various forms of financial reporting you must make to us, you must establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats (including, at our option, the accounting methods and chart of accounts) we prescribe from time to time. The records and information contained in any bookkeeping, accounting, and recordkeeping system we require will not include any records or information relating to the Shop's employees, as you control exclusively your labor relations and employment practices. You must use a Computer System to maintain certain revenue data and other information (including Consumer Data) and give us access to that data and other information (but excluding employee records, as you control exclusively your labor relations and employment practices) in the manner we specify. We have the right, as often as we deem appropriate (including on a daily, continuous basis), independently to access the Computer System and retrieve all information regarding the Shop's operation (other than Shop employee records, as you control exclusively your labor relations and employment practices). You must give us:

- i. on or before the Payment Day, statistical reports showing the Shop's total Gross Sales, product mix, customer count, and other information we request regarding you and the Shop covering the previous calendar-week period;
- ii. within thirty (30) days after the end of each fiscal quarter, the Shop's operating statements and financial statements (including a balance sheet and cash flow and profit and loss statements) as of the end of that fiscal quarter;

- iii. within ninety (90) days after the end of each of your fiscal years, annual profit and loss and cash flow statements, a balance sheet for the Shop as of the end of the previous fiscal year, and a narrative written description of your year-end operating results; and
- iv. within fifteen (15) days after our request, exact copies of federal and state income, sales tax, and other tax returns and any other forms, records, books, reports, and other information we periodically require relating to you or the Shop (other than Shop employee records, as you control exclusively your labor relations and employment practices).

We have the right periodically to specify the form and content of the reports and financial statements described above. You must verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data from such reports and statements (and to identify the Shop as the source of such reports and statements) for any business purpose we determine in our sole judgment, including the right to identify the Shop and disclose its individual financial results in both a financial performance representation appearing in Item 19 of our franchise disclosure document and a supplemental financial performance representation.

You agree to preserve and maintain all records, in the manner we periodically specify, in a secure location at the Shop or at another location we have approved in writing for at least five (5) years after the end of the fiscal year to which such records relate or for any longer time the Law requires. If we reasonably determine that any report or financial statement you send us is willfully or recklessly, and materially, inaccurate, we have the right to require you to prepare audited financial statements annually during the Term until we determine that your reports and statements accurately reflect the Shop's business and operations.

## **15. Inspections and Audits**

### **A. Inspections**

To determine whether you and the Shop are complying with this Agreement, including all Brand Standards, and food safety standards, we and our designated representatives and vendors (including "mystery" shoppers) have the right before you open the Shop for business and afterward from time to time during your regular business hours, and without prior notice to you, to inspect and evaluate the Shop, observe and record operations (including through electronic monitoring), remove samples of products and supplies, interview and interact with the Shop's supervisory employees and customers, inspect all books and records relating to the Shop, and access all electronic records on your Computer System to the extent necessary to ensure compliance with this Agreement and all Brand Standards (in all cases excluding records relating to labor relations and employment practices, as you control exclusively labor relations and employment practices for Shop employees). You must cooperate with us and our representatives and vendors in those activities. We will give you a written summary of the evaluation. Without limiting our other rights and remedies under this Agreement, you must promptly correct at your own expense all deficiencies (i.e., failures to comply with Brand Standards) noted by our evaluators within the time period we specify after you receive notice of those deficiencies. We then may conduct one or more follow-up evaluations to confirm that you have corrected the

deficiencies and otherwise are complying with this Agreement and all Brand Standards. You must pay the actual costs of the first follow-up audit, including our personnel's daily charges (including wages) and TRE. We have the right to charge you a Two Thousand Five Hundred Dollar (\$2,500) inspection fee, plus our personnel's TRE, for the second and each follow-up evaluation we make and for each inspection you specifically request. If you fail to correct a deficiency at the Shop or in its operation after these inspections, we have the right (short of taking over the Shop's management) to take the required for you, in which case you must immediately reimburse all of our costs.

Because we do not have the right to inspect your employment records, you agree to confirm for us periodically (in the manner specified in Brand Standards) that the Shop's employees have all certifications required by Law.

## **B. Our Right to Audit**

We and our designated representatives may at any time during your business hours, and without prior notice to you, examine the Shop's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records (other than records we have no authority to control and/or remedy, such as your employment records, as you control exclusively your labor relations and employment practices). You must fully cooperate with our representatives and independent accountants conducting any inspection or audit. If any inspection or audit discloses an understatement of the Shop's Gross Sales, you must pay us, within ten (10) days after receiving the inspection or audit report, the amounts due on the understatement plus our administrative fee and interest from the date originally due until the date of payment. If any inspection or audit discloses an overstatement of the Shop's Gross Sales, we will credit you (without interest) for the overpayment. Further, if an inspection or audit is necessary due to your failure to furnish reports, supporting records, or other information as required or on a timely basis, or if our examination reveals an understatement exceeding two percent (2%) of the amount you actually reported to us for the period examined, you must reimburse our costs for the examination, including, without limitation, legal fees, independent accountants' fees, and compensation and TRE for our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable Law.

## **16. Transfer**

### **A. Transfer by Us**

We have the right to change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After we assign this Agreement to a third party that expressly assumes this Agreement's obligations, we no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to you as if it had been an original party to this Agreement. Specifically and without limiting the foregoing, you agree that we have the right to sell our assets (including this Agreement), the Marks, or the Franchise System to a third party; offer our ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or

undertake a refinancing, recapitalization, leveraged buyout, securitization, or other economic or financial restructuring.

## **B. Transfer by You and Definition of Transfer**

You acknowledge that the rights and duties this Agreement creates are personal to you and your owners, and we have granted you the rights under this Agreement in reliance upon our perceptions of your and your owners' character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither: (i) this Agreement or any interest in this Agreement; (ii) the Shop or any right to receive all or a portion of the profits, losses, or capital appreciation relating to the Shop; (iii) all or substantially all of the Operating Assets; (iv) any ownership interest in you; nor (v) a controlling ownership interest in an Entity with an ownership interest in you, may be transferred without our prior written approval. A transfer of the Shop's ownership, possession, or control, or all or substantially all of the Operating Assets, may be made only with the concurrent transfer (to the same proposed transferee) of the franchise rights (with the transferee assuming this Agreement or signing our then-current form of franchise agreement and related documents, as we may require). Any transfer without our prior written approval is a breach of this Agreement and has no effect, meaning you and your owners will continue to be obligated to us for all your obligations under this Agreement.

In this Agreement, the term “**transfer**” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including the following events:

- i. transfer of record or beneficial ownership of stock or any other ownership interest or the right to receive (directly or indirectly) all or a portion of the profits, losses, or any capital appreciation relating to the Shop;
- ii. a merger, consolidation, or exchange of ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or a redemption of ownership interests;
- iii. any sale or exchange of voting interests or securities convertible to voting interests, or any management or other agreement granting the right (directly or indirectly) to exercise or control the exercise of any owner's voting rights or to control your (or an Entity with an ownership interest in you) or the Shop's operations or affairs;
- iv. transfer in a divorce, insolvency, or Entity dissolution proceeding or otherwise by operation of law;
- v. transfer by will, declaration of or transfer in trust, or under the laws of intestate succession; or
- vi. pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security or collateral, foreclosure upon or attachment or seizure of the Shop, or your transfer, surrender, or loss of the Shop's possession, control, or management. You may grant a security interest (including a purchase money security interest) in the Shop's assets (not including this Agreement or the

franchise rights) to a lender that finances your acquisition, development, and/or operation of the Shop without having to obtain our prior written approval as long as you give us ten (10) days' prior written notice. Notwithstanding the above, you may not pledge, hypothecate, or grant a security interest in any property that bears or displays the Marks (unless the Marks are readily removable from such property) and must advise your proposed lenders of this restriction.

### **C. Conditions for Approval of Transfer**

If you and your owners are in full compliance with this Agreement, then, subject to this Section 16's other provisions:

- i. We will approve the transfer of a non-controlling ownership interest in you if the proposed transferee and its owners are of good moral character, have no ownership interest in and do not perform services for (and have no affiliates with an ownership interest in or performing services for) a Competitive Business, otherwise meet our then-applicable standards for non-controlling owners of RANDY'S DONUTS Shop franchisees, sign our then-current form of Guaranty and Assumption of Obligations or, if applicable, Owner's Undertaking of Non-Monetary Obligations, and pay us a Two Thousand Five Hundred Dollar (\$2,500) transfer fee. The term "**controlling ownership interest**" is defined in Section 21.M.
- ii. If the proposed transfer involves the franchise rights granted by this Agreement or a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you, or is one of a series of transfers (regardless of the timeframe over which those transfers take place) in the aggregate transferring the franchise rights granted by this Agreement or a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you, then we will not unreasonably withhold our approval of a proposed transfer meeting all of the following conditions (provided, however, there may be no such transfer until after the Shop has opened for business):
  - a. on both the date you send us the transfer request and the transfer's proposed effective date: (i) the transferee and its direct and indirect owners have the necessary business experience, aptitude, and financial resources to operate the Shop, (ii) the transferee otherwise is qualified under our then-existing standards for the approval of new franchisees or of existing franchisees interested in acquiring additional franchises (including the transferee and its affiliates are in substantial operational compliance, at the time of the application, under all other franchise agreements for RANDY'S DONUTS Shops to which they then are parties with us), and (iii) the transferee and its owners are not restricted by another agreement (whether or not with us) from purchasing the

Shop or the ownership interest in you or the Entity that owns a controlling ownership interest in you;

- b. on both the date you send us the transfer request and the transfer's proposed effective date, you have paid all required Royalties, Brand Fund contributions, and other amounts owed to us and our affiliates relating to this Agreement and the Shop, have submitted all required reports and statements, and are not in breach of any provision of this Agreement or another agreement with us or our affiliates relating to the Shop;
- c. on both the date you send us the transfer request and the transfer's proposed effective date, neither the transferee nor any of its direct or indirect owners or affiliates operates, has an ownership interest in, or performs services for a Competitive Business;
- d. before or after the transfer's proposed effective date (as we determine), the transferee's operator and management personnel, if different from your Operator and management personnel, satisfactorily complete our then-current Initial Training;
- e. the transferee has the right to occupy the Shop's site for the expected franchise term;
- f. before the transfer's proposed effective date, the transferee and each of its owners (if the transfer is of the franchise rights granted by this Agreement), or you and your owners (if the transfer is of a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you), if we so require, sign our then-current form of franchise agreement and related documents (including a Guaranty and Assumption of Obligations and, if applicable, Owner's Undertaking of Non-Monetary Obligations), any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, provided, however, that (i) the term of the new franchise agreement signed will equal this Agreement's unexpired Term, (ii) the Royalty and Brand Fund contribution levels specified in this Agreement will be substituted into the then-current form of franchise agreement that you sign for the balance of the initial franchise term, and (iii) the Area of Protection defined in this Agreement will be substituted into the then-current form of franchise agreement that you sign for the balance of the initial franchise term. If the transferee has the right to possess the Shop for no less than an additional ten (10) years following the transfer's proposed effective date, we may (but have no obligation to) grant the transferee a full ten (10) year term under the new franchise agreement signed if the transferee commits to repair and/or replace Operating Assets and upgrade the

Shop in accordance with our then-current requirements and specifications for new RANDY'S DONUTS Shops within the timeframe we specify following the transfer's effective date. If we grant a full ten (10) year term, however, our then-current fees, including the Royalty and Brand Fund contributions, will apply to the Shop, and we have the right to change the definition of the Area of Protection;

- g. before the transfer's proposed effective date, you or the transferee pays us a transfer fee equal to Five Thousand Dollars (\$5,000);
- h. before the transfer's proposed effective date, the transferee agrees to repair and/or replace Operating Assets and upgrade the Shop in accordance with our then-current requirements and specifications for new RANDY'S DONUTS Shops within the timeframe we specify following the transfer's effective date;
- i. before the transfer's proposed effective date, you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, representatives, agents, successors, and assigns;
- j. we have determined that the purchase price, payment terms, and required financing will not adversely affect the transferee's operation of the Shop;
- k. if you or your owners finance any part of the purchase price, you and they agree before the transfer's proposed effective date, that the transferee's obligations under promissory notes, agreements, or security interests reserved in the Operating Assets or ownership interests in you are subordinate to the transferee's (and its owners') obligation to pay Royalties, Brand Fund contributions, and other amounts due to us and our affiliates and otherwise to comply with this Agreement;
- l. before the transfer's proposed effective date, you and your transferring owners (and members of their Immediate Families) agree, for two (2) years beginning on the transfer's effective date, not to engage in any activity proscribed in Section 19.E below; and
- m. before the transfer's proposed effective date, you and your transferring owners agree not directly or indirectly at any time after the transfer or in any manner (except with other RANDY'S DONUTS Shops you or they own or operate) to: (i) identify yourself or themselves in any business as a current or former RANDY'S DONUTS Shop or as one of our franchisees; (ii) use



any Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any Mark, or other indicia of a RANDY'S DONUTS Shop for any purpose; or (iii) utilize for any purpose any trade dress, trade name, trademark, service mark, or other commercial symbol suggesting or indicating a connection or association with us.

If the proposed transfer is to or among your owners, your or their Immediate Family members, or an Entity you control, then the transfer fee in clause (g) will be Two-Thousand Five-Hundred Dollars (\$2,500).

You acknowledge that we have legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with you, and our contact with potential transferees to protect our business interests will not constitute improper or unlawful conduct. You expressly authorize us to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding your operation of the Shop, and to withhold our consent, as long as our decision is not unreasonable, even if the conditions in clauses ii(a) through ii(m) above are satisfied. You waive any claim that our decision to withhold approval of a proposed transfer in order to protect our business interests—if that decision was reasonable despite satisfaction of the conditions in clauses ii(a) through ii(m) above—constitutes tortious interference with contractual or business relationships. We have the right to review all information regarding the Shop you give the proposed transferee, correct any information we believe is inaccurate, and give the proposed transferee copies of any reports you have given us or we have made regarding the Shop.

Notwithstanding anything to the contrary in this Section 16, we need not consider a proposed transfer of a controlling or non-controlling ownership interest in you, or a proposed transfer of this Agreement, until you (or an owner) and the proposed transferee first send us a copy of the bona fide offer to purchase or otherwise acquire the particular interest from you (or the owner). For an offer to be considered "bona fide," we have the right to require it to include a copy of all proposed agreements between you (or your owner) and the proposed transferee related to the sale, assignment, or transfer.

#### **D. Transfer to a Wholly-Owned or Affiliated Entity**

Notwithstanding Section 16.C above, if you are in full compliance with this Agreement, you may transfer this Agreement, together with the Operating Assets and all other assets associated with the Shop, to an Entity that will conduct no business other than the Shop and, if applicable, other RANDY'S DONUTS Shops and of which you or your then-existing owners own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all Shop assets are owned, and the Shop is operated, only by that single Entity. The Entity must expressly assume all of your obligations under this Agreement, but you will remain personally liable under this Agreement as if the

transfer to the Entity did not occur. Transfers of ownership interests in that Entity are subject to the restrictions in Section 16.C.

#### **E. Death or Disability**

##### **i. Transfer Upon Death or Disability**

Upon the death or disability of any of your owners, that owner's executor, administrator, conservator, guardian, or other personal representative (the "**Representative**") must transfer the owner's ownership interest in you (or an owner) to a third party. That transfer (including transfer by bequest or inheritance) must occur, subject to our rights under this Section 16.E, within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all terms and conditions in this Section 16. A failure to transfer such interest within this time period is a breach of this Agreement.

##### **ii. Operation upon Death or Disability**

If, upon the death or disability of one of your owners, the Shop's day-to-day operations are not being managed by a trained Operator, then you or the Representative (as applicable) must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a new Operator to operate the Shop. The Operator must at your expense satisfactorily complete the training we designate within the time period we specify. We have the right to assume the Shop's management, as described in Section 18.C, for the time we deem necessary if the Shop is not in our opinion being managed properly upon the death or disability of one of your owners.

#### **F. Effect of Consent to Transfer**

Our consent to any transfer is not a representation of the fairness of any contract terms between you (or your owner) and the transferee, a guarantee of the Shop's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand full compliance with this Agreement.

#### **G. Our Right of First Refusal**

If you, any of your owners, or the owner of a controlling ownership interest in an Entity with an ownership interest in you at any time determines to sell or transfer for consideration the franchise rights granted by this Agreement and the Shop (or all or substantially all of its Operating Assets), a controlling ownership interest in you, or a controlling ownership interest in an Entity with a controlling ownership interest in you (except to or among your current owners or in a transfer under Section 16.D, which are not subject to this Section 16.G), you agree to obtain from a responsible and fully-disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which, as noted in Section 16.C above, we have the right to require to include a copy of all proposed agreements related to the sale or transfer). The offer must include details of the proposed sale's payment terms and the financing sources and terms of the proposed purchase price and provide for an earnest money deposit of at least five percent (5%) of the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be a fixed-dollar amount, without any contingent payments of purchase price (such as earn-

out payments), and the proposed transaction must relate exclusively to the rights granted by this Agreement and the Shop (or all or substantially all of its Operating Assets), a controlling ownership interest in you, or a controlling ownership interest in an Entity with a controlling ownership interest in you. It may not relate to any other interests or assets. We have the right to require you (or your owners) to send us copies of any materials or information you send to the proposed buyer or transferee regarding the possible transaction.

We have the right, by written notice delivered to you within thirty (30) days after we receive both an exact copy of the offer and all other information we request, to elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (i) we have the right to substitute cash for any form of payment proposed in the offer; (ii) our credit will be deemed equal to the credit of any proposed buyer; (iii) the closing will be not less than sixty (60) days after we notify you of our election to purchase or, if later, the closing date proposed in the offer; (iv) you and your owners must sign the general release described in Section 16.C.ii(i) above; and (v) we must receive, and you and your owners agree to make, all customary representations, warranties, and indemnities given by the seller of the assets of a business or of ownership interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests; your and your owners' authorization to sell, as applicable, any ownership interests or assets without violating any Law, contract, or requirement of notice or consent; liens and encumbrances on ownership interests and assets; validity of contracts and 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 Shop before the closing of our purchase. If the offer is to purchase all of your ownership interests, we have the right to elect instead to purchase all of the Shop's assets (and not any of your ownership interests) on the condition that the amount we pay you for such assets equals the full value of the transaction as proposed in the offer (i.e., the value of all assets to be sold and of all liabilities to be assumed).

Once you or your owners submit the offer and related information to us triggering the start of the thirty (30) day decision period referenced above, the offer is irrevocable for that thirty (30) day period. This means we have the full thirty (30) days to decide whether to exercise the right of first refusal and may choose to do so even if you or your owners change your, his, her, or its mind during that period and prefer after all not to sell the particular interest that is the subject of the offer. You and your owners may not withdraw or revoke the offer for any reason during the thirty (30) days, and we have the right to exercise the right to purchase the particular interest in accordance with this Section's terms.

If we exercise our right of first refusal and close the transaction, you and your transferring owners agree that, for two (2) years beginning on the closing date, you and they (and members of your or their Immediate Families) will be bound by the non-competition covenants contained in Section 19.E.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we approve the transfer as provided in this Section 16. If you or your owners do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first

refusal, or if there is a material change in the sale's terms (which you agree to tell us promptly), we will have an additional right of first refusal during the thirty (30) days following either expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

We have the unrestricted right to assign this right of first refusal to a third party (including an affiliate), which then will have the rights described in this Section 16.G. We waive our right of first refusal for sales or transfers to Immediate Family members meeting the criteria in Section 16.C.

## **17. Expiration of Agreement**

When this Agreement expires (unless it is terminated sooner), you will have the right to acquire a successor franchise to continue operating the Shop as a RANDY'S DONUTS Shop for ten (10) years under our then-current form of franchise agreement, but only if you have:

- i. requested in writing a business review at least six (6) months, but not more than nine (9) months, before the end of the Term;
- ii. substantially complied with all of your obligations under this Agreement and all other agreements with us or our affiliates related to the Shop, including operated the Shop in substantial compliance with Brand Standards, during the Term, as noted in the business review we conduct; and
- iii. at our option, either (a) remodeled and upgraded the Shop and otherwise brought the Shop into full compliance with then-applicable specifications and standards for new RANDY'S DONUTS Shops (regardless of cost) before this Agreement expires, or (ii) agreed to relocate the Shop to a substitute site we have accepted and construct and develop a new RANDY'S DONUTS Shop at that site.

To acquire a successor franchise, you and your owners must: (i) sign our then-current form of franchise agreement (and related documents), which may contain terms and conditions differing materially from any and all of those in this Agreement, including higher Royalties and Brand Fund contributions and a modified or smaller Area of Protection, and will be modified to reflect that it is for a successor franchise; (ii) pay us a successor franchise fee equal to Five Thousand Dollars (\$5,000); and (iii) sign a general release in the form we specify as to any and all claims against us, our affiliates, and our and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If you fail to sign and return the documents referenced above, together with the successor franchise fee, within thirty (30) days after we deliver them to you, that will be deemed your irrevocable election not to acquire a successor franchise. If you (and your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise (at or after the business review) and on the date on which this Agreement expires, in substantial compliance with this Agreement and all other agreements with us or our affiliates related to the Shop, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its Term under Section 18. We have the right to condition our grant of a

successor franchise on your completing certain requirements on or before designated deadlines following commencement of the successor franchise term.

## **18. Termination of Agreement**

### **A. Termination by You**

You may terminate this Agreement if we materially breach any of our obligations under this Agreement and fail to correct that breach within thirty (30) days after you deliver written notice to us of the breach; provided, however, if we cannot reasonably correct the breach within those thirty (30) days but give you, within the thirty (30) days, evidence of our effort to correct the breach within a reasonable time period, then the cure period will run through the end of that reasonable time period. Your termination of this Agreement other than according to this Section 18.A will be deemed a termination without cause and your breach of this Agreement.

### **B. Termination by Us**

We have the right, at our option, to terminate this Agreement, effective immediately upon delivery of written notice of termination to you, upon the occurrence of any one of the following events:

- i. you (or any of your direct or indirect owners) have made or make any material misrepresentation or omission in connection with your application for and acquisition of the franchise or your operation of the Shop, including, without limitation, by intentionally or through your gross negligence understating the Shop's Gross Sales for any period;
- ii. you fail (a) to obtain our written acceptance of the site, to secure the accepted site under a Lease we accept, or otherwise to meet any development obligation identified in Section 4 on or before the required deadline, or (b) to develop, open, and begin operating the Shop in compliance with this Agreement, including all Brand Standards (including with a fully-trained staff), on or before the Opening Deadline;
- iii. you (a) abandon the Shop, meaning you have deserted, walked away from, or closed the Shop under circumstances leading us to conclude that you have no intent to return to the Shop, regardless of how many days have passed since the apparent abandonment, or (b) fail actively and continuously to operate the Shop (a failure to operate the Shop for over three (3) consecutive days will be deemed a default under this clause (b), except where closure is due to fire, riot, flood, terrorist acts, or natural disaster and you notify us within three (3) days after the particular occurrence to obtain our written approval to remain closed for an agreed-upon amount of time as is necessary under the circumstances before we will require you to re-open);

- iv. you, any of your owners, or the owner of a controlling ownership interest in an Entity with an ownership interest in you makes a purported transfer in violation of Section 16;
- v. you (or any of your direct or indirect owners) are or have been convicted by a trial court of, or plead or have pleaded guilty or no contest to, a felony;
- vi. you (or any of your direct or indirect owners) engage in any dishonest, unethical, immoral, or similar conduct as a result of which your (or the owner's) association with the Shop (or the owner's association with you) could, in our reasonable opinion, have a material adverse effect on the goodwill associated with the Marks;
- vii. a lender forecloses on its lien on a substantial and material portion of the Shop's assets;
- viii. an entry of judgment against you involving aggregate liability of Twenty-Five Thousand Dollars (\$25,000) or more in excess of your insurance coverage, and the judgment remains unpaid for ten (10) days or more following its entry;
- ix. you (or any of your direct or indirect owners) misappropriate any Confidential Information or violate any provisions of Section 12, including, but not limited to, by holding interests in or performing services for a Competitive Business;
- x. you violate any material Law relating to the Shop's development, operation, or marketing and do not (a) correct the noncompliance or violation within fifteen (15) days after delivery of written notice of the noncompliance or violation or (b) completely correct the noncompliance or violation within the time period prescribed by Law, unless you are in good faith contesting your liability for the violation through appropriate proceedings or provide reasonable evidence of your continued efforts to correct the violation within a reasonable time period;
- xi. you fail to report the Shop's Gross Sales or to pay us or any of our affiliates any amounts when due and do not correct the failure within five (5) days after delivery of written notice;
- xii. you underreport the Shop's Gross Sales by two percent (2%) or more on three (3) separate occasions within any twenty-four (24) consecutive-month period or by five percent (5%) or more during any reporting period;
- xiii. you fail to maintain the insurance this Agreement requires or to send us satisfactory evidence of such insurance within the required time, or significantly modify your insurance coverage without our written

approval, and do not correct the failure within five (5) days after delivery of written notice;

- xiv. you fail to pay when due any federal or state income, service, sales, employment, or other taxes due on the Shop's operation, unless you are in good faith contesting your liability for such taxes through appropriate proceedings;
- xv. you (or any of your direct or indirect owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive-month period to comply with this Agreement (including any Brand Standard), whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you (which includes failures identified and reported to you during any inspection we conduct under Section 15.A), or (b) fail on two (2) or more separate occasions within any six (6) consecutive-month period to comply with the same obligation under this Agreement (including any Brand Standard), whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you (which includes failures identified and reported to you during any inspection we conduct under Section 15.A);
- xvi. you fail to pay amounts you owe to our designated, approved, or recommended suppliers within thirty (30) days following the due date (unless you are contesting the amount in good faith), or you default (and fail to cure within the allocated time) under any note, lease, or agreement we deem material relating to the Shop's operation or ownership, and do not correct the failure within five (5) days after delivery of written notice;
- xvii. you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or a substantial part of your property; the Shop is attached, seized, or levied upon, unless the attachment, seizure, or levy is vacated within sixty (60) days; or any order appointing a receiver, trustee, or liquidator of you or the Shop is not vacated within sixty (60) days following its entry;
- xviii. your or any of your owners' assets, property, or interests are blocked under any Law relating to terrorist activities, or you or any of your owners otherwise violate any such Law;
- xix. you lose the right to occupy the Shop's premises due to your Lease default (even if you have not yet vacated the Shop's premises);
- xx. you lose the right to occupy the Shop's premises (but not due to your Lease default), or the Shop is damaged to such an extent that you cannot operate the Shop at its existing location over a thirty (30) day period, and

you fail both to relocate the Shop to a substitute site we accept and to begin operating the Shop at that substitute site within one hundred fifty (150) days from the first date on which you could not operate the Shop at its existing location;

- xxi. you fail to comply with any other obligation under this Agreement or any other agreement between us (or any of our affiliates) and you relating to the Shop, including, without limitation, any Brand Standard, and do not correct the failure to our satisfaction within thirty (30) days after we deliver written notice;
- xxii. you cause or contribute to a Data Security Incident or fail to comply with any requirements to protect Consumer Data; or
- xxiii. we have sent a notice of termination under another franchise agreement for a RANDY'S DONUTS Shop between you (or any of your affiliates) and us, regardless of the reason for such termination, or you (or any of your affiliates) have terminated another franchise agreement with us without cause.

### **C. Assumption of Shop's Management**

(i) If you abandon or fail actively to operate the Shop for any period, (ii) under the circumstances described in Sections 16.E and 18.D, and (iii) after termination or expiration of this Agreement while we are deciding whether to exercise our right to purchase the Shop's Operating Assets under Section 19.F, we or our designee has the right (but not the obligation) to enter the site and assume the Shop's management for any time period we deem appropriate. Our manager will exercise control over the working conditions of the Shop's employees only to the extent such control is related to our legitimate interest in protecting, and is necessary at that time to protect, the quality of our products, services, or brand. If we assume the Shop's management, all revenue from the Shop's operation during our management period will (except as provided below) be kept in a separate account, and all Shop expenses will be charged to that account. In addition to all other fees and payments owed under this Agreement on account of the Shop's operation, we have the right to charge you a reasonable management fee, not to exceed ten percent (10%) of the Shop's Gross Sales, plus any out-of-pocket expenses incurred in connection with the Shop's management. We or our designee will have a duty to use only reasonable efforts and, if we or our designee is not grossly negligent and does not commit an act of willful misconduct, will not be liable to you or your owners for any debts, losses, lost or reduced profits, or obligations the Shop incurs, or to any of your creditors for any supplies, products, or other assets or services the Shop purchases, while we or our designee manages it. We have the right to require you to sign our then-current form of management agreement, which will govern the terms of our management of the Shop.

If we or our designee assumes the Shop's management due to your abandonment or failure actively to operate the Shop, or after termination or expiration of this Agreement while we are deciding whether to exercise our right to purchase the Shop's Operating Assets under



Section 19.F, we or our designee may retain all, and need not pay you or otherwise account to you for any, Gross Sales generated while we or our designee manages the Shop.

#### **D. Other Remedies upon Default**

Upon your failure to remedy any noncompliance with any provision of this Agreement, including any Brand Standard, or another default specified in any written notice issued to you under Section 18.B, within the time period (if any) we specify in our notice, we have the right, until the failure has been corrected to our satisfaction, to take any one or more of the following actions:

- i. suspend your right to participate in one or more advertising, marketing, or promotional programs that we or the Brand Fund provides;
- ii. suspend or terminate your participation in any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);
- iii. refuse to provide any operational support this Agreement requires; and/or
- iv. assume the Shop's management, as described in Section 18.C, for the time we deem necessary in order to correct the default, for all of which costs you must reimburse us (in addition to the amounts you must pay us under Section 18.C).

Exercising any of these rights will not constitute an actual or constructive termination of this Agreement or be our sole and exclusive remedy for your default. If we exercise any remedies in this Section 18.D rather than terminate this Agreement, we have the right at any time after the applicable cure period under the written notice has lapsed (if any) to terminate this Agreement without giving you any additional corrective or cure period. During any suspension period, you must continue paying all fees and other amounts due under, and otherwise comply with, this Agreement and all related agreements. Our election to suspend your rights as provided above is not our waiver of any breach of this Agreement. If we rescind any suspension of your rights, you are not entitled to any compensation (including, without limitation, repayment, reimbursement, refunds, or offsets) for any fees, charges, expenses, or losses you might have incurred due to our exercise of any suspension right provided above.

### **19. Rights and Obligations upon Termination or Expiration of This Agreement**

#### **A. Payment of Amounts Owed**

You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date we determine the amounts due to us, the Royalties, Brand Fund contributions, late fees and interest, and other amounts owed to us (and our affiliates) that are then unpaid. If we terminate this Agreement on any ground specified under Section 18.B, or if you terminate this Agreement without cause, before the Term's scheduled expiration date, you also will be liable to us for all of our damages caused by your breach of contract that we have the right to recover under applicable law.

## **B. De-Identification**

Upon termination or expiration of this Agreement, you must de-identify the Shop in compliance with this Section 19.B and as we reasonably require. De-identification includes, but is not limited to, taking the following actions:

- i. beginning on the De-identification Date (defined below), you and your owners may not directly or indirectly at any time afterward or in any manner (except in connection with other RANDY'S DONUTS Shops you or they own and operate): (a) identify yourself or themselves in any business as a current or former RANDY'S DONUTS Shop or as one of our current or former franchisees; (b) use any Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any Mark, any copyrighted items, or other indicia of a RANDY'S DONUTS Shop for any purpose; or (c) use for any purpose any trade dress, trade name, trademark, service mark, or other commercial symbol suggesting or indicating a connection or association with us.
- ii. within fifteen (15) days after the De-identification Date, you must take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;
- iii. if we do not exercise the option under Section 19.F below, you must, at your own cost and without any payment from us for such items, at our option, deliver to us, make available to us for pick-up, or destroy, in any case within twenty (20) days after the De-identification Date, all signs, Marketing Materials, forms, and other materials containing any Mark. If you fail to do so voluntarily when we require, we and our representatives may enter the Shop at our convenience and remove these items without liability to you, the landlord, or any other third party for trespass or any other claim. You must reimburse our costs of doing so;
- iv. if we do not exercise the option under Section 19.F below, you must, at your own cost and without any payment from us for such items, at our option, deliver to us, make available to us for pick-up, or destroy, in any case within thirty (30) days after the De-identification Date, all equipment and other materials that are proprietary to the RANDY'S DONUTS Shop brand. If you fail to do so voluntarily when we require, we and our representatives may enter the Shop at our convenience and remove these items without liability to you, the landlord, or any other third party for trespass or any other claim. You must reimburse our costs of doing so;
- v. if we do not exercise the option under Section 19.F below, you must at your own expense, within twenty (20) days after the De-identification Date, make the alterations we specify to distinguish the Shop clearly from its former appearance and from other RANDY'S DONUTS Shops in order

to prevent public confusion, including returning all surfaces to a neutral color. If you fail to do so voluntarily when we require, we and our representatives may enter the Shop at our convenience and take this action without liability to you, your landlord, or any other third party for trespass or any other claim. We need not compensate you or the landlord for any alterations. You must reimburse our costs of de-identifying the Shop;

- vi. you must, within fifteen (15) days after the De-identification Date, notify the telephone company and all telephone directory publishers (both web-based and print) of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark; authorize, and not interfere with, the transfer of those numbers and directory listings to us or at our direction; and/or instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we have the right to take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events; and
- vii. you must immediately cease using or operating any website or other online presence or electronic media, including social networking websites, related to the Shop or the Marks, take all action required to disable such websites or social networking website accounts, and cancel all rights in and to any accounts for such websites (unless we request you to assign them to us).

The “**De-identification Date**” means: (i) if we exercise the option under Section 19.F, the closing date of our (or our designee’s) purchase of the Shop’s assets; or (ii) if we do not exercise the option under Section 19.F, the date upon which that option expires or we notify you of our decision not to exercise, or to withdraw our previous exercise, of that option, whichever occurs first.

### **C. Confidential Information**

Upon termination or expiration of this Agreement, you and your owners must immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials to which we gave you access. You may not sell, trade, or otherwise profit in any way from any Consumer Data or other Confidential Information at any time after expiration or termination of this Agreement.

### **D. Notification to Customers**

Upon termination or expiration of this Agreement, we have the right to contact (at our expense) previous, current, and prospective customers to inform them that a RANDY’S DONUTS Shop no longer will operate at the Shop’s location or, if we intend to exercise the option under Section 19.F, that the Shop will operate under new management. We also have the

right to inform them of other nearby RANDY'S DONUTS Shops. Exercising these rights will not constitute interference with your contractual or business relationship with those customers.

#### **E. Covenant Not to Compete**

Upon our termination of this Agreement in compliance with its terms, your termination of this Agreement without cause, or expiration of this Agreement (without the grant of a successor franchise), you and your owners agree that neither you, they, nor any member of your or their Immediate Families will:

- i. have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in any Competitive Business located or operating:
  - a. at the Shop's site; or
  - b. within ten (10) miles of the Shop's site; or
  - c. within five (5) miles of another RANDY'S DONUTS Shop in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section 19.E,provided that this restriction does not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange and representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding; or
- ii. perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business located or operating:
  - a. at the Shop's site; or
  - b. within ten (10) miles of the Shop's site; or
  - c. within five (5) miles of another RANDY'S DONUTS Shop in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section 19.E.

You, each owner, and your and their Immediate Families will each be bound by these competitive restrictions for two (2) years beginning on the effective date of this Agreement's termination or expiration. However, if a restricted person does not begin to comply with these competitive restrictions immediately, the two (2) year restrictive period for that non-compliant person will not start to run until the date on which that person begins to comply with the competitive restrictions (whether or not due to the entry of a court order enforcing this provision). The running of the two (2) year restrictive period for a restricted person will be suspended whenever that restricted person breaches this Section and will resume when that

person resumes compliance. These restrictions also apply after transfers and other events, as provided in Section 16 above. You (and your owners) expressly acknowledge that you (and they) possess skills and abilities of a general nature and have other opportunities for exploiting those skills. Consequently, our enforcing the covenants made in this Section 19.E will not deprive you (and them) of personal goodwill or the ability to earn a living.

## **F. Option to Purchase Operating Assets**

### **i. Exercise of Option**

Upon our termination of this Agreement in compliance with its terms, your termination of this Agreement without cause, or expiration of this Agreement (without the grant of a successor franchise), we have the option, exercisable by giving you written notice before or within thirty (30) days after the effective date of termination or expiration, to purchase the Operating Assets and other assets associated with the Shop's operation that we designate. We have the unrestricted right to assign this purchase option to a third party (including an affiliate), which then will have the rights and obligations described in this Section 19.F. (All references in this Section 19.F to "we" or "us" include our assignee if we have exercised our right to assign this purchase option to a third party.) We are entitled to all customary representations, warranties, and indemnities in our asset purchase, including representations and warranties regarding ownership and condition of, and title to, assets; liens and encumbrances on assets; validity of contracts and liabilities affecting the assets, contingent or otherwise; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Shop before the closing of our purchase.

If you or one of your affiliates owns the site at which the Shop is located, we (or our assignee) may elect to lease that site from you or the affiliate for an initial five (5) or ten (10) year term (at our option), with one (1) renewal term of five (5) or ten (10) years (again at our option), on commercially reasonable terms. If you lease the Shop's site from an unaffiliated lessor, you agree (at our option) to assign the Lease to us or to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease.

### **ii. Purchase Price**

If we elect to purchase all or substantially all of the Operating Assets and other assets associated with the Shop's operation, the purchase price for those assets will be their fair market value, although fair market value will not include any value for (a) the franchise or any rights granted by this Agreement, (b) goodwill attributable to our Marks, brand image, and other intellectual property, or (c) participation in the network of RANDY'S DONUTS Shops. In all cases, we have the right to exclude from the assets purchased any Operating Assets or other items not reasonably necessary (in function or quality) to the Shop's operation or that we have not approved as meeting Brand Standards; the purchase price will reflect those exclusions. We and you must work together in good faith to agree upon the assets' fair market value within fifteen (15) days after we deliver our notice exercising our right to purchase. If we and you cannot agree on fair market value within this fifteen (15) day period, fair market value will be determined by the following appraisal process.

Fair market value will be determined by one (1) independent accredited appraiser upon whom we and you agree who, in conducting the appraisal, will be bound by the criteria specified above. We and you agree to select the appraiser within fifteen (15) days after we deliver our purchase notice (if we and you do not agree on fair market value before then). If we and you cannot agree on a mutually-acceptable appraiser within the fifteen (15) days, we will send you a list of three (3) independent appraisers, and you must within seven (7) days select one (1) of them to be the designated appraiser to determine the purchase price. Otherwise, we have the right to select the appraiser. We and you will share equally the appraiser's fees and expenses. Within thirty (30) days after delivery of notice invoking the appraisal mechanism, we and you each must send the appraiser our and your respective calculations of the purchase price, with such detail and supporting documents as the appraiser requests and according to the criteria specified above. Within fifteen (15) days after receiving both calculations, the appraiser must decide whether our proposed purchase price or your proposed purchase price most accurately reflects the assets' fair market value. The appraiser has no authority to compromise between the two (2) proposed purchase prices; it is authorized only to choose one or the other. The appraiser's choice will be the purchase price and is final.

### iii. Closing

We will pay the purchase price at the closing, which will take place not later than thirty (30) days after the purchase price is determined. However, we have the right to decide after the purchase price is determined not to complete the purchase and will have no liability to you for choosing not to do so. We have the right to set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us (or our affiliates). At the closing, you agree to deliver instruments transferring to us: (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; (b) all of the Shop's licenses and permits that may be assigned; and (c) possessory rights to the Shop's site.

If you cannot deliver clear title to all purchased assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If we exercise our rights under this Section 19.F, then for two (2) years beginning on the closing date, you and your owners (and members of your and their Immediate Families) will be bound by the non-competition covenants contained in Section 19.E.

## **G. Continuing Obligations**

All of our and your (and your owners') obligations expressly surviving expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination and until they are satisfied in full.

## **20. Relationship of the Parties; Indemnification**

### **A. Independent Contractors**

This Agreement does not create a fiduciary relationship between you and us (or any affiliate of ours). You have no authority, express or implied, to act as an agent for us or our affiliates for any purpose. You are, and will remain, an independent contractor responsible for all obligations and liabilities of, and for all losses or damages to, the Shop and its assets, including any personal property, equipment, fixtures, or real property, and for all claims or demands based on damage to or destruction of property or based on injury, illness, or death of any person, directly or indirectly, resulting from the Shop's operation. Further, we and you are not and do not intend to be partners, joint venturers, associates, or employees of the other in any way, and we (and our affiliates) will not be construed to be jointly liable for any of your acts or omissions under any circumstances. We (and our affiliates) are not the employer or joint employer of the Shop's employees. Your Managing Owner and Operator are solely responsible for managing and operating the Shop and supervising the Shop's employees. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, Shop personnel, and others as the Shop's owner, operator, and manager under a franchise we have granted and to place notices of independent ownership at the Shop and on the forms, business cards, stationery, advertising, e-mails, and other materials we require from time to time.

We (and our affiliates) will not exercise direct or indirect control over the working conditions of Shop personnel, except to the extent such indirect control is related to our legitimate interest in protecting the quality of our products, services, or brand. We (and our affiliates) do not share or codetermine the employment terms and conditions of the Shop's employees and do not affect matters relating to the employment relationship between you and the Shop'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. To that end, you must notify Shop personnel that you are their employer and that we, as the franchisor of RANDY'S DONUTS Shops, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all Shop employees that you (and not we or our affiliates) are their employer.

### **B. No Liability for Acts of Other Party**

We and you may not 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 our relationship with you is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising from the Shop's operation or the business you conduct under this Agreement.

### **C. Taxes**

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, employment, or other taxes, whether levied upon you or the Shop, due to the business you conduct (except for our own income taxes). You must pay those taxes and reimburse us for any taxes we must pay to any taxing authority on account of either your Shop's operation or payments you make to us (except for our own income taxes).

### **D. Insurance**

During the Term, you must maintain in force at your sole expense insurance coverage for the Shop in the amounts, and covering the risks, we periodically specify in the Operations Manual. We have the right to require some or all of your insurance policies to provide for waiver of subrogation in favor of us and certain of our affiliates. Your insurance carriers must be licensed to do business in the state in which the Shop is located and be rated A- or higher by A.M. Best and Company, Inc. (or such similar criteria we periodically specify). Insurance policies must be in effect before you begin constructing the Shop. We have the right periodically to increase the amounts of coverage required under those insurance policies 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 relevant changes in circumstances. Insurance policies must name us and any affiliates we periodically designate as additional insureds and provide for thirty (30) days' prior written notice to us of any policy's material modification, cancellation, or non-renewal or any non-payment. You must periodically, including before the Shop opens, send us a valid certificate of insurance or duplicate insurance policy evidencing the coverage specified above and the payment of premiums. We have the right to require you to use our designated insurance broker to facilitate your compliance with these insurance requirements. We have the right to obtain insurance coverage for the Shop at your expense if you fail to do so, in which case you must reimburse our costs. We also have the right to defend claims in our sole discretion.

### **E. Indemnification**

To the fullest extent permitted by Law, you must indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and reimburse any one or more of the Indemnified Parties for, all Losses (defined below) incurred as a result of:

- (1) a claim threatened or asserted;
- (2) an inquiry made formally or informally; or
- (3) a legal action, investigation, or other proceeding brought by a third party and directly or indirectly arising out of:
  - (i) the Shop's construction, design, or operation;
  - (ii) the business you conduct under this Agreement;



- (iii) your noncompliance or alleged noncompliance with any Law, including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to the Shop's employees;
- (iv) a Data Security Incident; or
- (v) your breach of this Agreement.

You also agree to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at your expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings, including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct, and willful wrongful omissions. However, you have no obligation to indemnify or hold harmless an Indemnified Party for any Losses 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 negligence, willful misconduct, or willful wrongful omissions, 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 employment) or our failure to compel you to comply with this Agreement.

For purposes of this indemnification and hold harmless obligation, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that any Indemnified Party incurs. Defense costs include, without limitation, 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, whether or not litigation, arbitration, or alternative dispute resolution actually is commenced. Each Indemnified Party, with its own counsel and at your expense, may defend and otherwise respond to and address any claim threatened or asserted or inquiry made, or action, investigation, or proceeding brought (instead of having you defend it with your counsel, as provided in the preceding paragraph), and, in cooperation with you, agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible (except as provided in the last sentence of the preceding paragraph).

Your obligations under this Section will continue in full force and effect after and notwithstanding this Agreement's expiration or termination. 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 you under this Section. A failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section.

## **21. Enforcement**

### **A. Severability**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable. If, for any reason, any part is held to be

invalid or contrary to or in conflict with any applicable present or future Law in a final, unappealable ruling issued by any court, arbitrator, agency, or tribunal 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 restricting competitive activity is deemed unenforceable due to its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be reformed to the extent necessary to be reasonable and enforceable, and then enforced to the fullest extent permissible, under the Laws and public policies applied in the jurisdiction whose Laws determine the covenant's validity. If any applicable and binding Law requires more notice than this Agreement requires of the termination of this Agreement or of our refusal to grant a successor franchise, or if under any applicable and binding Law any provision of this Agreement, including any Brand Standard, is invalid, unenforceable, or unlawful, the notice and/or other action required by the Law will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or Brand Standard to the extent required to be valid and enforceable or delete the unlawful provision entirely. You agree 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.

## **B. Waiver of Obligations and Force Majeure**

We and you may in writing unilaterally waive or reduce any contractual obligation or restriction upon the other, effective upon delivery of written notice to the other or another effective date stated in the waiver notice. However, no interpretation, change, termination, or waiver of any provision of this Agreement will bind us unless in writing, signed by one of our officers, and specifically identified as an amendment to this Agreement. No modification, waiver, termination, discharge, or cancellation of this Agreement affects the right of any party to this Agreement to enforce any claim or right under this Agreement, whether or not liquidated, which occurred before the date of such modification, waiver, termination, discharge, or cancellation. Any waiver granted is without prejudice to any other rights we or you have, is subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand your strict 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 varying from this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including your compliance with any Brand Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other RANDY'S DONUTS Shops; the existence of franchise agreements for other RANDY'S DONUTS Shops containing provisions differing from those contained in this Agreement; or our acceptance of any payments from you after any breach of this Agreement. No special or restrictive legend or endorsement on any payment or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We may remove any legend or endorsement, which will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform obligations results from: (i) acts of God; (ii) fires, strikes, embargoes, war, terrorist acts or similar events, or riot; (iii) compliance with the orders, requests, or regulations of any federal, state, or municipal government; or (iv) 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. However, 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. Under no circumstances do any financing delays, difficulties, or shortages excuse your failure to perform or delay in performing your obligations under this Agreement.

### **C. Costs and Attorneys' Fees**

If we incur costs and expenses (internal or external) to enforce our rights or your obligations under this Agreement because you have failed to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree to reimburse all costs and expenses we incur, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. Your obligation to reimburse us arises whether or not we begin a formal legal proceeding against you to enforce this Agreement. If we do begin a formal legal proceeding against you, the reimbursement obligation applies to all costs and expenses we incur preparing for, commencing, and prosecuting the legal proceeding and until the proceeding has completely ended (including appeals and settlements).

### **D. You May not Withhold Payments**

You may not withhold payment of any amounts owed to us or our affiliates due to our alleged nonperformance of our obligations under this Agreement or for any other reason. You specifically waive any right you have at Law or in equity to offset any monies you owe us or our affiliates or to fail or refuse to perform any of your obligations under this Agreement.

### **E. Rights of Parties Are Cumulative**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy that we or you are entitled by Law to enforce.

### **F. Arbitration**

All controversies, disputes, or claims between us (and our affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) arising out of or related to:

- i. this Agreement or any other agreement between you (or your owner) and us (or our affiliate) relating to the Shop or any provision of any such agreements;
- ii. our relationship with you;

- iii. the validity of this Agreement or any other agreement between you (or your owner) and us (or our affiliate) relating to the Shop, or any provision of any such agreements, and the validity and scope of the arbitration obligation under this Section; or
- iv. any Brand Standard,

must be submitted for arbitration, to be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures (except as otherwise provided in this Section). Such arbitration proceedings will be heard by one (1) arbitrator. All proceedings, including the hearing, will be conducted at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence. 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 has the right to award any relief 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 (in accordance with 21.C above), provided that: (i) the arbitrator has no authority to declare any Mark generic or otherwise invalid; and (ii) subject to the exceptions in Section 21.I, we and you waive to the fullest extent the Law permits any right to or claim for any punitive, exemplary, treble, and other forms of multiple damages against the other. The arbitrator's award and decision will be conclusive and bind all parties covered by this Section, and judgment upon the award may be entered in a court specified or permitted in Section 21.H below.

We and you will be bound by any limitation under this Agreement or applicable Law, whichever expires first, on the timeframe in which claims must be brought. We and you further agree that, in connection with any arbitration proceeding, each must submit or file any claim constituting 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 not submitted or filed in the proceeding will be barred. The arbitrator may not consider any settlement discussions or offers either you or we made. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for the arbitration proceeding to take place and by doing so do not waive or relinquish our right to seek recovery of those costs in accordance with Section 21.C above.

We and you agree that arbitration will be conducted on an individual basis and not in a class, consolidated, or representative action, that only we (and our affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. Despite the foregoing or anything to the contrary in this Section or Section 21.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 21.F, then we and you agree that this arbitration clause will not apply to that dispute, and

such dispute will be resolved in a judicial proceeding in accordance with this Section 21 (excluding this Section 21.F).

This Section's provisions are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after and notwithstanding expiration or termination of this Agreement.

Despite your and our agreement to arbitrate, each has the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, provided, however, each must contemporaneously submit its dispute for arbitration on the merits as provided in this Section.

### **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:

- i. this Agreement or any other agreement between you (or your owners) and us (or our affiliates) relating to the Shop;
- ii. our relationship with you;
- iii. the validity of this Agreement or any other agreement between you (or your owners) and us (or our affiliates) relating to the Shop; or
- iv. any Brand Standard,

will be governed by the Laws of the state in which the Shop is located.

### **H. Consent to Jurisdiction**

Subject to the arbitration obligations in Section 21.F, you and your owners agree that all judicial actions brought by us against you or your owners, or by you or your owners against us, our affiliates, or our or their respective owners, officers, directors, agents, or employees, relating to this Agreement or the Shop must be brought exclusively in the state or federal court of general jurisdiction located closest to where we, as franchisor, have our principal business address when the action is commenced. You and each of your owners irrevocably submit to the jurisdiction of such courts and waive any objection you or they might have to either jurisdiction or venue. Despite the foregoing, we have the right to bring an action seeking a temporary restraining order or temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which you reside or the Shop is located.

### **I. Waiver of Punitive and Exemplary Damages**

EXCEPT FOR YOUR INDEMNIFICATION OBLIGATIONS UNDER SECTION 20.E AND CLAIMS BASED ON YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE

AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT THE LAW PERMITS ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE, AND OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IF THERE IS A DISPUTE BETWEEN US AND YOU (AND/OR YOUR OWNERS), THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES HE, SHE, OR IT SUSTAINS.

**J. Waiver of Jury Trial**

SUBJECT TO THE ARBITRATION OBLIGATIONS IN SECTION 21.F, WE AND YOU (AND YOUR OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER US OR YOU (OR YOUR OWNERS). WE AND YOU (AND YOUR OWNERS) ACKNOWLEDGE THAT WE AND YOU (AND THEY) MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERING THIS WAIVER'S RAMIFICATIONS.

**K. Binding Effect**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors-in-interest. Subject to our right to modify the Operations Manual and Brand Standards, this Agreement may not be modified except by a written agreement signed by both you and us that is specifically identified as an amendment to this Agreement.

**L. Limitations of Claims**

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US AND EXCEPT FOR OUR (AND CERTAIN OF OUR RELATED PARTIES') RIGHT TO SEEK INDEMNIFICATION FROM YOU FOR THIRD-PARTY CLAIMS AS PROVIDED IN THIS AGREEMENT, ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN US AND YOU WILL BE BARRED UNLESS AN ARBITRATION OR JUDICIAL PROCEEDING, AS PERMITTED, IS COMMENCED IN THE APPROPRIATE FORUM WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE VIOLATION, ACT, OR CONDUCT GIVING RISE TO THE CLAIM OCCURS, REGARDLESS OF WHEN THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.

**M. Construction**

The preambles and exhibits are part of this Agreement, which, together with any riders or addenda signed at the same time as this Agreement and together with the Operations Manual and Brand Standards, constitutes our and your entire agreement and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you relating to this Agreement's subject matter. There are no other oral or written representations, warranties, understandings, or agreements between us and you relating to this Agreement's subject matter. Notwithstanding the foregoing, nothing in this Agreement disclaims or requires you to waive

reliance on any representation we made in the most recent franchise disclosure document (including its exhibits and amendments) we delivered to you or your representative. Any policies we adopt and implement from time to time to guide our decision-making are subject to change, are not a part of this Agreement, and do not bind us. Except as provided in Sections 20.E and 21.F, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Headings of sections and paragraphs in this Agreement are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs.

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all your obligations to us under this Agreement, include any of our affiliates with whom you deal. “**Affiliate**” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. “**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/or the Shop, whether as partners or joint venturers, their representations, warranties, obligations, and liabilities to us will be joint and several. “**Owner**” means any person holding a direct or indirect ownership interest (whether of record, beneficial, or otherwise) or voting rights in you (or your owner or a transferee of this Agreement and the Shop or any interest in you), including any person who has a direct or indirect interest in you (or your owner or a transferee), this Agreement, or the Shop or any other direct or indirect legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a “**controlling ownership interest**” in you or one of your owners (if an Entity) mean the percent of voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, whether a “controlling ownership interest” is involved must be determined both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). “**Person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days mean calendar days and not business days.

The term “**Shop**” includes all assets of the RANDY’S DONUTS Shop you operate under this Agreement, including its revenue and income. “**Include**,” “**including**,” and words of similar import will be interpreted to mean “including, but not limited to,” and the terms following such words will be interpreted as examples, and not an exhaustive list, of the appropriate subject matter.

This Agreement will become valid and enforceable only upon its full execution by you and us, although we and you need not be signatories to the same original, facsimile, or electronically-transmitted counterpart of this Agreement. A faxed copy of an originally-signed signature page, a scanned copy of an originally-signed signature page that is sent as a .pdf by email, or a signature page bearing an electronically/digitally captured signature and transmitted electronically will be deemed an original.

## **N. The Exercise of Our Business Judgment**

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem best according to our business judgment, to vary Brand Standards or other aspects of the Franchise System for any franchisee. You have no right to require us to grant you a similar variation or accommodation.

We have the right to develop, operate, and change the Franchise System in any manner this Agreement does not specifically prohibit. Whenever this Agreement reserves our right to take or withhold an action, or to grant or decline to grant you the right to take or omit an action, we have the right, except as this Agreement specifically provides, to make our decision or exercise our rights based on information then available to us and our judgment of what is best for us, RANDY'S DONUTS Shop franchisees generally, or the Franchise System when we make our decision, whether or not we could have made other reasonable or even arguably preferable alternative decisions and whether or not our decision promotes our financial or other individual interest.

## **22. Compliance with Anti-Terrorism Laws**

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any Anti-Terrorism Law. “**Anti-Terrorism Laws**” mean Executive Order 13224 issued by the President of the United States and all other present and future Laws, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners’ assets under the Anti-Terrorism Laws, constitutes good cause for immediate termination of this Agreement, as provided in Section 18 above.

## **23. Notices and Payments**

All acceptances, approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive them in accordance with this Section 23. All such acceptances, approvals, requests, notices, and reports will be deemed delivered at the time delivered by hand; or one (1) business day after deposit with a nationally-recognized commercial courier service for next business day delivery; or 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 been notified and/or, with respect to any approvals and notices we send you or your owners, at the Shop’s address. Payments and certain information and reports you must send us under this Agreement will be deemed delivered on any of the applicable dates described above or, if earlier, when we actually receive them electronically (all payments, information, and reports must be received on or before their due dates in the form and manner specified in this Agreement). As of



the Effective Date of this Agreement, notices should be addressed to the following addresses unless and until a different address has been designated by written notice to the other party:

To us:

**QUAD QUEENS LLC**  
936 W. Florence Avenue  
Inglewood, California 90301  
Attn: Mark Kelegian

Notices to you and your owners:

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

**24. Electronic Mail**

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize e-mail transmission to you during the Term by us and our employees, vendors, and affiliates (“**Official Senders**”). You further agree that: (i) Official Senders are authorized to send e-mails to your Operator and other supervisory employees whom you occasionally authorize to communicate with us; (ii) you will cause your officers, directors, Operator, and supervisory employees to consent to Official Senders’ transmission of e-mails to them; (iii) you will require such persons not to opt out of or otherwise ask to no longer receive e-mails from Official Senders while such persons work for or are associated with you; and (iv) you will not opt out of or otherwise ask to no longer receive e-mails from Official Senders during the Term. The consent given in this Section 24 will not apply to the provision of formal notices by either party under this Agreement under Section 23 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

**25. 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 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 acknowledgement 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 our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement, to be effective as of the date set forth next to our signature below.

**QUAD QUEENS LLC**, a California limited liability company

**FRANCHISEE**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_ \*\*

\*\*Effective Date

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**EXHIBIT A**  
**TO THE QUAD QUEENS LLC**  
**FRANCHISE AGREEMENT**

**BASIC TERMS**

1. The non-exclusive Site Selection Area is described as follows: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (see attached map, if applicable). The Site Selection Area is simply the geographical area within which you have the right to look for the Shop's site. It will not determine the size or description of the Area of Protection.

2. The Shop's physical address is \_\_\_\_\_. If you have not found and secured the Shop's site as of the Effective Date, we and you will identify the Shop's physical address in the blank above after you find and secure the site.

3. The Shop's Area of Protection is described as follows:  
\_\_\_\_\_  
\_\_\_\_\_ (see attached map, if applicable). If you have not found and secured the Shop's site as of the Effective Date, we and you will define the Area of Protection in the blank above (and, if applicable, on the attached map) after you find and secure the site. If there is a conflict between the narrative description above and the attached map, the narrative description will control. As noted in Section 3.C. of the Franchise Agreement, the Area of Protection is defined and deemed to exclude any and all Non-Traditional Venues physically located within the Area of Protection. (We may modify the Area of Protection during the Franchise Agreement term if, with our prior written permission, which we have no obligation to grant, the Shop relocates.)

**QUAD QUEENS LLC**, a California  
limited liability company

**FRANCHISEE**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**EXHIBIT B-1**  
**TO THE QUAD QUEENS LLC**  
**FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

**THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS** is given this \_\_\_\_\_, 20\_\_\_, by \_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “**Agreement**”) on this date by **QUAD QUEENS LLC**, a California limited liability company (“**Franchisor**”), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and its successors and assigns, for the term of the Agreement (including, without limitation, any extensions of its term) 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, without limitation, 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, without limitation, any amendments or modifications of the Agreement), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities, including, but not limited to, the non-competition, confidentiality, and transfer requirements, and (iii) the enforcement and other provisions in Sections 21, 22, and 23 of the Agreement, including the arbitration provision.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she 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 Franchisor’s pursuit of any remedies against Franchisee or another person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence Franchisor may from time to time grant to Franchisee or to another person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including, without limitation, any release of other guarantors), none of which will in any way modify or amend this Guaranty, which will continue and be irrevocable during the term of the Agreement (including, without limitation, any extensions of its term) and afterward for so long as any performance is or might be owed under the Agreement by Franchisee or any of its owners and for so long as Franchisor has any cause of action against Franchisee or any of its owners; (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 interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; and (6) any Franchisee indebtedness to the undersigned, for whatever reason, whether currently existing or hereafter arising, will at all times be inferior and subordinate to any indebtedness owed by Franchisee to Franchisor or its affiliates.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which 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 will be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to Franchisor; (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice 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 or she may be entitled; and (iii) all rights to assert or plead any statute of limitations or other limitations period as to or relating to this Guaranty. The undersigned expressly acknowledges that the obligations under this Guaranty survive expiration or termination of the Agreement.

If Franchisor seeks to enforce this Guaranty in an arbitration, judicial, or other proceeding and prevails in that proceeding, Franchisor is entitled to recover its reasonable costs and expenses (including, but not limited to, attorneys' fees, arbitrators' fees, expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses, and travel and living expenses) incurred in connection with the proceeding. If Franchisor is required to engage legal counsel in connection with the undersigned's failure to comply with this Guaranty, the undersigned must reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs, even if Franchisor does not commence a judicial or arbitration proceeding.

Subject to the arbitration obligations set forth in the Agreement 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 Franchisor 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 Franchisor has its principal business address when the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled. **FRANCHISOR AND THE UNDERSIGNED IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY OF THEM. EACH ACKNOWLEDGES THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.**

**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**

_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

**EXHIBIT B-2**  
**TO THE QUAD QUEENS LLC FRANCHISE AGREEMENT**

**OWNER'S UNDERTAKING OF NON-MONETARY OBLIGATIONS**

**THIS OWNER'S UNDERTAKING OF NON-MONETARY OBLIGATIONS** is given this \_\_\_\_\_, 20\_\_, by \_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "**Agreement**") on this date by **QUAD QUEENS LLC**, a California limited liability company ("**Franchisor**"), with \_\_\_\_\_, a \_\_\_\_\_ ("**Franchisee**"), each of the undersigned unconditionally agrees (a) to be personally bound by, and personally liable for his or her own breach of, Sections 3.E, 3.F, 6.H, 7.B, 7.D, 7.G, 8, 9, 10, 11, 12, 13.E, 16, 17, 19 (except for Section 19.A), 20.B, 22, 23, and 24 of the Agreement, and (b) to be personally bound by Sections 2, 21.A, 21.B, 21.F, 21.G, 21.H, 21.I, 21.J, 21.K, 21.L, and 21.M of the Agreement. None of the undersigned will be responsible for any of Franchisee's payment obligations under the Agreement.

The undersigned consents and agrees that this liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Franchisee or another person and will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence Franchisor may from time to time grant to Franchisee or to another person, including, without limitation, the acceptance of any partial performance or the compromise or release of any claims, none of which will in any way modify or amend this Undertaking, which will continue and be irrevocable during the term of the Agreement (including, without limitation, any extensions of its term) and afterward for so long as any performance is or might be owed under the Agreement by Franchisee or its owners and for so long as Franchisor has any cause of action against Franchisee or any of its owners. This Undertaking will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and 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 which the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Undertaking, for the express purpose that none of the undersigned will be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to Franchisor; (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Undertaking, notice of non-performance of any obligations hereby assumed, protest and notice of default to any party with respect to the nonperformance of any obligations hereby assumed, and any other notices and legal or equitable defenses to which he or she may be entitled; and (iii) all rights to assert or plead any statute of limitations or other limitations period as to or relating to this Undertaking. The undersigned expressly acknowledges that the obligations under this Undertaking survive expiration or termination of the Agreement.

If Franchisor seeks to enforce this Undertaking in an arbitration, judicial, or other proceeding and prevails in that proceeding, Franchisor is entitled to recover its reasonable costs and expenses (including, but not limited to, attorneys' fees, arbitrators' fees, expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses, and

travel and living expenses) incurred in connection with the proceeding. If Franchisor is required to engage legal counsel in connection with the undersigned's failure to comply with this Undertaking, the undersigned must reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs, even if Franchisor does not commence a judicial or arbitration proceeding.

Subject to the arbitration obligations set forth in the Agreement and the provisions below, each of the undersigned agrees that all actions arising under this Undertaking or the Agreement, or otherwise as a result of the relationship between Franchisor 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 Franchisor has its principal business address when the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Undertaking and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled. **FRANCHISOR AND THE UNDERSIGNED IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY OF THEM. EACH ACKNOWLEDGES THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.**

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

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
[Signature]

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

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
[Signature]

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



**EXHIBIT C**  
**TO THE QUAD QUEENS LLC**  
**FRANCHISE AGREEMENT**

**FRANCHISEE AND ITS OWNERS**

**Effective Date: This Exhibit C is current and complete**  
**as of \_\_\_\_\_, 20\_\_**

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

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

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

<b><u>Owner's Name</u></b>	<b><u>Description of Interest</u></b>
_____	_____
_____	_____
_____	_____
_____	_____

**Managing Owner.** Franchisee's Managing Owner is \_\_\_\_\_. His or her contact information for notice is \_\_\_\_\_.

**QUAD QUEENS LLC**, a California  
limited liability company

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

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

Date: \_\_\_\_\_, 20\_\_

**FRANCHISEE**

\_\_\_\_\_  
[Name]

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

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

Date: \_\_\_\_\_, 20\_\_

**EXHIBIT D**  
**TO THE QUAD QUEENS LLC**  
**FRANCHISE AGREEMENT**

**LEASE RIDER**

**LEASE PROVISIONS FOR RANDY'S DONUTS SHOP FRANCHISES**

The following provisions must be inserted into the lease for the Shop you will operate under the "RANDY'S DONUTS®" brand (the "**Lease**"). You may add this language via a rider or addendum to your Lease as long as the rider or addendum is signed by both the tenant and the landlord. Please send us a copy of the signed Lease and any riders or addenda.

**REQUIRED LANGUAGE:**

A. During the Term of the franchise agreement (the "**Franchise Agreement**") between Tenant and **QUAD QUEENS LLC** ("**Quad Queens**"), Tenant will use the premises only to operate a RANDY'S DONUTS Shop.

B. Landlord will send to Quad Queens copies of all default notices, and all notices of Landlord's intent to terminate the Lease (or any rights of Tenant under the Lease) or evict Tenant from the leased premises, simultaneously with sending such notices to Tenant. Such copies must be sent to:

QUAD QUEENS LLC  
936 W. Florence Avenue  
Inglewood, California 90301  
Attn: President

C. Tenant may assign or sublet the Lease to Quad Queens or its affiliates upon expiration or termination of the Franchise Agreement, and Landlord will not withhold its consent to this assignment or sublet. Landlord will not impose or assess any assignment or subletting fee or similar payment or accelerate rental payments under the Lease in connection with the assignment or sublet.

D. Quad Queens or its affiliates may enter the premises to make any modifications or alterations necessary to protect the Franchise System and the Marks or to cure any default under the Franchise Agreement or Lease at any time and without prior notice to Landlord.

E. Tenant will not assign or sublease the premises, renew or extend the term of the Lease, or modify the Lease in any manner without Quad Queens prior written approval.

F. Upon the occurrence of any of the following:

- (1) a default by Tenant under the Lease (whether or not Landlord intends to terminate the Lease due to that default), the Franchise Agreement, or any document or instrument securing or relating to the Franchise Agreement, or
- (2) the termination of the Franchise Agreement before its term expires by Quad Queens or by Tenant for any reason other than an uncured default by Quad Queens,

Quad Queens will have the right (but no obligation), exercisable upon delivery of written notice to Tenant and Landlord, to compel an assignment or sublet of the Lease, and all of Tenant's rights under the Lease, to Quad Queens or to an assignee or sublessee of Quad Queens's choice, at Quad Queens's option. If Quad Queens (or its assignee or sublessee) exercises the rights under this paragraph (F), Tenant will have no further right, title, or interest under the Lease or to the leased premises but will remain solely liable to Landlord for all rents, charges, and other obligations under the Lease accruing before the date upon which Quad Queens (or its assignee or sublessee) assumes possession of the leased premises.

In addition, upon the occurrence of either (1) or (2) above, Quad Queens (or its assignee) will have the right, at its cost and expense, to possess the leased premises for a period not to exceed sixty (60) days from the first day of its possession, and to operate the RANDY'S DONUTS Shop at the leased premises during such timeframe, without having to formally assume the Lease, to cure any of the Tenant's defaults under the Lease before the date of its possession, or to compensate Landlord for any damages it incurred on account of the termination of the Lease due to Tenant's defaults, provided, however, Quad Queens (or its assignee) agrees to pay rent due under the Lease during the period it actually possesses the leased premises and to perform the other terms, covenants, obligations, and conditions of the Lease that arise while it possesses the leased premises.

At any time within or at the conclusion of the sixty (60) day period during which Quad Queens has the right to possess the premises, Quad Queens may notify Landlord of its election to formally assume the terms, covenants, obligations, and conditions of the Lease for the remainder of the Lease term, together with any applicable renewal options. In such event, Quad Queens (or its assignee) and Landlord will enter into an agreement to document such assumption. Quad Queens (or its assignee) is not a party to, and will have no liability under, the Lease (except for its performance obligations during the timeframe it possesses the demised premises), unless and until said Lease is formally assigned to, and formally assumed by, Quad Queens (or its assignee) as herein provided. As a condition of the formal assignment of the Lease to Quad Queens (or its assignee), Landlord may require Quad Queens (or its assignee) to cure any of the Tenant's monetary defaults under the Lease before the Lease was terminated.

G. Quad Queens is an intended third-party beneficiary under the provisions set forth above with independent rights to enforce them, and neither Landlord nor Tenant may alter or limit any of those provisions without Quad Queens's prior written approval.

**EXHIBIT E**  
**TO THE QUAD QUEENS LLC**  
**FRANCHISE AGREEMENT**

**SAMPLE FORM OF CONFIDENTIALITY AGREEMENT**

In consideration of my employment or contract with and/or interest in \_\_\_\_\_ (the “**Franchisee**”) and the salary, honorariums, wages, and/or fees paid to me, I acknowledge that **QUAD QUEENS LLC**, a California limited liability company having its principal place of business at 936 W. Florence Avenue, Inglewood, California 90301 (“**Quad Queens**”), has imposed the following conditions on the Franchisee, any owner of the Franchisee, and the Franchisee’s officers, directors, and senior personnel. As a condition of performing services for or having an interest in Franchisee, I agree to accept the following conditions without limitation:

1. Without obtaining Quad Queens’s prior written consent (which consent Quad Queens may withhold in its sole discretion), I will (i) not disclose, publish, or divulge to any other person, firm, or corporation, through any means, any of Quad Queens’s Confidential Information either during or after my employment by or association with Franchisee, (ii) not use the Confidential Information for any purposes other than as related to my employment or association with Franchisee, and (iii) not make copies or translations of any documents, data, or compilations containing any or all of the Confidential Information, commingle any portion of the documents, data, or compilations, or otherwise use the documents, data, or compilations containing Confidential Information for my own purpose or benefit. I also agree to surrender any material containing any of Quad Queens’s Confidential Information upon request or upon termination of my employment or association with Franchisee. I understand that the Operations Manual is provided by Quad Queens to Franchisee for a limited purpose, remains Quad Queens’s property, and may not be reproduced, in whole or in part, without Quad Queens’s prior written consent.

For purposes of this Agreement, “**Confidential Information**” means certain information, processes, methods, techniques, procedures, and knowledge, including know-how (which includes information that is secret and substantial), manuals, and trade secrets (whether or not judicially recognized as a trade secret), developed or to be developed by Quad Queens relating directly or indirectly to the development or operation of a RANDY’S DONUTS Shop. With respect to the definition of know-how, “**secret**” means that the know-how as a body or in its precise configuration is not generally known or easily accessible, and “**substantial**” means information that is important and useful to Franchisee in developing and operating Franchisee’s Shop. Without limiting the foregoing, Confidential Information includes, but is not limited to:

- i. information in the Operations Manual and Brand Standards;
- ii. layouts, designs, and other plans and specifications for RANDY’S DONUTS Shops;

- iii. methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating RANDY'S DONUTS Shops;
- iv. marketing research and promotional, marketing, and advertising programs for RANDY'S DONUTS Shops;
- v. knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, products, services, materials, and supplies that RANDY'S DONUTS Shops use and sell;
- vi. knowledge of the operating results and financial performance of RANDY'S DONUTS Shops other than Franchisee's Shop;
- vii. customer solicitation, communication, and retention programs, along with Data used or generated in connection with those programs;
- viii. all Data and all other information generated by, or used or developed in, the Shop's operation, including Consumer Data, and any other information contained from time to time in the Computer System or that visitors (including you) provide to the System Website; and
- ix. any other information Quad Queens reasonably designates as confidential or proprietary.

2. If there is a dispute or question arising out of the interpretation of this Agreement or any of its terms, the laws of the State of [ ] will govern. *[Insert franchisee's home state.]*

3. I acknowledge receipt of a copy of this Agreement and that I have read and understand this Agreement. This Agreement may not be modified except in writing with the prior approval of an officer of each of Franchisee and Quad Queens.

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

Address: \_\_\_\_\_  
 Phone/Email: \_\_\_\_\_

Check the following that apply:

- |                                   |   |
|-----------------------------------|---|
| <input type="checkbox"/> Owner    | <input type="checkbox"/> Senior Personnel       |
| <input type="checkbox"/> Officer  | <input type="checkbox"/> Other (please specify) |
| <input type="checkbox"/> Director |   |

**EXHIBIT C**

**DEVELOPMENT RIGHTS AGREEMENT**

**QUAD QUEENS LLC**  
**DEVELOPMENT RIGHTS AGREEMENT**

This Development Rights Agreement (the “DRA”) is made by and between QUAD QUEENS LLC, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”). This DRA is effective as of the date we sign it, which is set forth next to our signature on the Signature Page at the end (the “Effective Date”).

**RECITALS**

A. We have created, designed, and developed a retail shop brand identified by the Marks (defined below) that currently offers and sells donuts, coffee, and other products.

B. We currently use, promote, and license certain trademarks, service marks, and other commercial symbols for this retail shop brand, including “RANDY’S DONUTS®,” and from time to time may create, use, and license new trademarks, service marks, and commercial symbols (collectively, the “Marks”).

C. We offer and grant franchises to operate a RANDY’S DONUTS® Shop using the RANDY’S DONUTS® business system and formats, methods, procedures, designs, layouts, trade dress, standards, specifications, marketing programs and practices, and Marks, all of which we periodically may improve, further develop, and otherwise modify.

D. Simultaneously with signing this DRA, we and you (or your Approved Affiliate, as defined in Section 2(a) below) also are signing as of the Effective Date a franchise agreement (the “First Franchise Agreement”) for the construction, development, and operation of the first RANDY’S DONUTS® Shop to be developed within the Territory (defined below). We and you are signing this DRA because you want the right to construct, develop, and operate multiple RANDY’S DONUTS® Shops within the Territory over a certain time period (besides the RANDY’S DONUTS® Shop covered by the First Franchise Agreement), and we are willing to grant you those development rights if you comply with this DRA’s terms.

Now, therefore, in consideration of the mutual covenants, agreements, and obligations set forth in this DRA, we and you agree as follows:

1. **Development Obligations.**

(a) Subject to your strict compliance with this DRA, we grant you the right (directly or through your Approved Affiliates) to construct, develop, and operate \_\_\_\_\_ (\_\_\_\_) new RANDY’S DONUTS® Shops (including the RANDY’S DONUTS® Shop covered by the First Franchise Agreement), according to the mandatory development schedule described in Exhibit A to this DRA (the “Schedule”), within the geographic area described in Exhibit B (the “Territory”). RANDY’S DONUTS® Shops that we permit you (or your Approved Affiliates) to construct, develop, and operate at or within “Non-Traditional Venues” (defined below) physically located within the Territory do not count toward your compliance with the Schedule.



(b) If you (and your Approved Affiliates, as applicable) are fully complying with all of your (and their) obligations under this DRA, the First Franchise Agreement, and all other franchise agreements then in effect between us and you (and your Approved Affiliates, as applicable) for the construction, development, and operation of RANDY'S DONUTS® Shops, then during this DRA's term only, we (and our affiliates) will not—except as permitted below at or within Restricted Venues—establish and operate, or grant to others the right to establish and operate, RANDY'S DONUTS® Shops that have their physical locations within the Territory.

The exceptions referenced above to your exclusive right to establish RANDY'S DONUTS® Shops having their physical locations within the Territory are described in this paragraph. If:

(i) there are one or more opportunities during this DRA's term to develop one or more RANDY'S DONUTS® Shops at physical locations within the Territory that you cannot or choose not to pursue when the opportunity becomes available, no matter the reason (including if a location's owner or manager sets financial, experience, or organizational standards for an acceptable operator that you cannot or do not then satisfy); or

(ii) a location is at or within a Non-Traditional Venue (which is defined in this DRA to mean a hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater, or similar venue) (the locations referenced in clauses (i) and (ii) are referred to collectively as "Restricted Venues"),

then we (or our affiliates) may without restriction pursue the particular Restricted Venue opportunity and establish, or franchise or license another to establish, a RANDY'S DONUTS® Shop at or within that Restricted Venue.

Our, our affiliate's, or another franchisee's or licensee's establishment and operation of any RANDY'S DONUTS® Shop at or within a Restricted Venue in the Territory that is not a Non-Traditional Venue will count toward the total number of RANDY'S DONUTS® Shops that must be developed in the Territory during this DRA's term, meaning that you may choose to develop one less RANDY'S DONUTS® Shop (based on the number of RANDY'S DONUTS® Shops remaining to be developed in the Territory under the Schedule) for each such Shop established by us, our affiliate, or another franchisee or licensee. If you make that choice, the then-final RANDY'S DONUTS® Shop appearing on the Schedule will be deemed to be removed from the Schedule. (Please refer to Section 4 below regarding the credit toward future initial franchise fees that you will receive on account of the deposit relating to the Shop that is deemed to be removed from the Schedule.)

However, our, our affiliate's, or another franchisee's or licensee's establishment and operation of a RANDY'S DONUTS® Shop at or within a Restricted Venue in the Territory that is a Non-Traditional Venue will not count toward your compliance with the Schedule. As noted above, RANDY'S DONUTS® Shops that you (or your Approved Affiliates) are permitted to establish and operate at or within a Non-Traditional Venue physically located in the Territory likewise do not count toward your compliance with the Schedule.

(c) The location exclusivity described in clause (b) above (with the noted exceptions for Restricted Venues) is the only restriction on our (and our affiliates') activities within the Territory during this DRA's term. We and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within and throughout the Territory, including, without limitation, the types of activities in which we and our affiliates reserve the right to engage (in a RANDY'S DONUTS® Shop's Area of Protection) under Sections 3.C and 3.D of the First Franchise Agreement. After this DRA expires or is terminated (regardless of the reason for termination), we and our affiliates have the right, without any restrictions whatsoever, to (a) establish and operate, and grant to others the right to establish and operate, RANDY'S DONUTS® Shops having their physical locations within the Territory, subject only to your (or an Approved Affiliate's) rights within an Area of Protection under a franchise agreement with us then in effect, and (b) continue to engage, and grant to others the right to engage, in any other activities we (and our affiliates) desire within and throughout the Territory.

YOU ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE UNDER THIS DRA, AND YOUR RIGHTS UNDER THIS DRA ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF YOU DO NOT COMPLY STRICTLY WITH THE DEVELOPMENT OBLIGATIONS PROVIDED IN THE SCHEDULE. WE HAVE THE RIGHT TO ENFORCE THIS DRA STRICTLY.

2. **Development Obligations.**

(a) **Approved Affiliates.** To maintain your rights under this DRA, you (and/or your Approved Affiliates) must, by the dates specified in the Schedule, sign franchise agreements for and then construct, develop, and have open and operating within the Territory the agreed-upon minimum number of RANDY'S DONUTS® Shops. If you or your owners establish a new legal entity to construct, develop, and operate one or more of the RANDY'S DONUTS® Shops required to be developed pursuant to this DRA, and either (i) you own 100% of that legal entity or (ii) that legal entity's ownership is completely identical to your ownership, that legal entity automatically will be considered an "Approved Affiliate" under this DRA. However, if you do not own 100% of that new legal entity or that legal entity's ownership is not completely identical to your ownership, you first must seek our approval for that new entity to be permitted to construct, develop, and operate the proposed Shop as an Approved Affiliate. We have the right to refuse any such request if you and/or your owners do not (1) own and control at least two-thirds (67%) of the new entity's ownership interests and (2) have the authority to exercise voting and management control of the Shop proposed to be owned by the new entity.

(b) **Form of Franchise Agreement.** You (and/or your Approved Affiliates) will operate each RANDY'S DONUTS® Shop under a separate franchise agreement (and related documents) with us. The franchise agreement (and related documents, including Guaranty and Assumption of Obligations) that you and your owners (or your Approved Affiliate and its owners) must sign for each Shop to be constructed and developed pursuant to this DRA will be our then-current form of franchise agreement (and related documents, including Guaranty and Assumption of Obligations), any or all terms of which may differ substantially and materially from any or all terms contained in the First Franchise Agreement. However:

(i) the initial franchise fee will be Twenty-Five Thousand Dollars (\$25,000) for the second and each successive RANDY'S DONUTS® Shop to be developed pursuant to this DRA; and

(ii) the Royalty, Brand Fund contribution, Local Marketing Spending Requirement, and minimum required Market Introduction Program expense specified under our then-current form of franchise agreement will (if greater than those specified in the First Franchise Agreement) be modified for the initial franchise term of each subsequent Shop to be constructed and developed pursuant to this DRA to be the same as those specified in the First Franchise Agreement if you (and your Approved Affiliates) are not then in default under this DRA, the First Franchise Agreement, or any other franchise agreement then in effect between us and you (and your Approved Affiliates) for RANDY'S DONUTS® Shops. If you (and your Approved Affiliates) are then in default under this DRA, the First Franchise Agreement, or any other franchise agreement then in effect between us and you (and your Approved Affiliates) for RANDY'S DONUTS® Shops, then the Royalty, Brand Fund contribution, Local Marketing Spending Requirement, and minimum required Market Introduction Program will remain as stated in our then-current form of franchise agreement and will not be changed.

Despite any contrary provision contained in the First Franchise Agreement or newly-signed franchise agreements, your (and your Approved Affiliates') RANDY'S DONUTS® Shops within the Territory must be open and operating by the dates specified in the Schedule. To retain your rights under this DRA, each RANDY'S DONUTS® Shop constructed, developed, and opened pursuant to this DRA must operate continuously throughout this DRA's term in full compliance with its franchise agreement.

(c) **Changes in Investment Requirements.** You acknowledge that the estimated expenses and investment requirements set forth in Items 6 and 7 of our Franchise Disclosure Document are subject to increases over time, and future RANDY'S DONUTS® Shops likely will involve greater initial investment and operating-capital requirements than those stated in the Franchise Disclosure Document provided to you before you signed this DRA. You must open all RANDY'S DONUTS® Shops in compliance with the Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your previous RANDY'S DONUTS® Shops, or (iii) any other circumstances, financial or otherwise. However, we are not obligated to execute any of the franchise agreements contemplated by this DRA if you have not complied with each and every condition in this DRA or otherwise do not meet our then-current requirements.

3. **Subfranchising and Sublicensing Rights.** This DRA does not give you any right to franchise, license, subfranchise, or sublicense others to construct, develop, and operate RANDY'S DONUTS® Shops. Only you (and/or your Approved Affiliates) have the right to construct, develop, open, and operate RANDY'S DONUTS® Shops pursuant to this DRA. This DRA also does not give you (or your Approved Affiliates) any independent right to use the RANDY'S DONUTS® trademark or the other Marks. The right to use the Marks is granted only under a franchise agreement signed directly with us. This DRA only grants you potential development rights if you fully comply with its terms.

4. **Development Fee.** As consideration for the development rights we grant you under this DRA, you must pay us a total of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the “Development Fee”) when you sign this DRA. The Development Fee consists of (a) the Thirty-Five Thousand Dollar (\$35,000) initial franchise fee due under the First Franchise Agreement, plus (b) total deposits equaling \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_\_) for all additional RANDY’S DONUTS® Shops you have committed under this DRA to construct, develop, and operate after the first RANDY’S DONUTS® Shop. This DRA will not be effective, and you will have no development rights, until we receive the Development Fee. Our initial franchise fee is Thirty-Five Thousand Dollars (\$35,000) for the first, and Twenty-Five Thousand Dollars (\$25,000) for the second and each subsequent, RANDY’S DONUTS® Shop you commit to construct, develop, and operate pursuant to this DRA. The deposits appearing above represent Twelve-Thousand Five-Hundred Dollars (\$12,500) for each RANDY’S DONUTS® Shop you have committed to construct, develop, and operate after the first Shop.

The Development Fee is:

- (i) consideration for the rights we grant you in this DRA and for reserving the Territory for you to the exclusion of others (except as provided in this DRA with respect to Restricted Venues) while you are in compliance with this DRA;
- (ii) fully earned by us when we and you sign this DRA; and
- (iii) not refundable under any circumstances, even if you do not comply or attempt to comply with the Schedule and we then terminate this DRA for that reason. However, each time you (or your Approved Affiliate) sign a franchise agreement for the next RANDY’S DONUTS® Shop to be constructed and developed within the Territory, we will apply the deposit related to that Shop (which is part of the Development Fee) toward the initial franchise fee due for that Shop (leaving only the balance of the initial franchise fee due at signing).

In addition, if we, our affiliate, or another franchisee or licensee develops a RANDY’S DONUTS® Shop at or within a Restricted Venue in the Territory that is not a Non-Traditional Venue, and you choose to develop one less RANDY’S DONUTS® Shop under the Schedule (as provided in Section 1 above), we will credit the deposit that you paid for such Shop as part of the Development Fee (i.e., the Twelve-Thousand Five Hundred Dollars (\$12,500)) toward the remainder of the initial franchise fee payable to us for the subsequent RANDY’S DONUTS® Shop you have committed to develop under this DRA.

5. **Grant of Franchises.**

(a) You must send us a separate application for each RANDY’S DONUTS® Shop that you (or your Approved Affiliate) wish to construct and develop within the Territory. You must locate, evaluate, and select the Shop’s site. You must give us all information and materials we request to assess each proposed Shop site. We will not search for or select the site for you. In granting you development rights under this DRA, we are relying on your knowledge of the real estate market in the Territory and your ability to locate and access sites.

(b) We will give you our then-current criteria for RANDY'S DONUTS® Shop sites (including, without limitation, population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, ingress and egress, size, and other physical and commercial characteristics) to help in the site-selection process. We will not unreasonably withhold site acceptance if, in our and our affiliates' experience and based on the factors identified above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites in the past for RANDY'S DONUTS® Shops. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you have chosen, while acceptable to us, is not recommended due to its incompatibility with certain factors bearing on a site's suitability as a location for a RANDY'S DONUTS® Shop.

We will review potential Shop sites that you identify within the Territory and have the right, but no obligation, to visit the Territory once (for no additional fee) to review and consider your potential sites for each RANDY'S DONUTS® Shop to be constructed and developed under this DRA. We have the right to require you to reimburse our out-of-pocket expenses for each site visit after the first per-Shop visit. We have the right to condition our acceptance of a proposed site, or a proposed site visit, on your first sending us complete site reports and other materials (including, without limitation, photographs and digital recordings) we request. We agree to use reasonable efforts to review and accept (or not accept) sites you propose within thirty (30) days after we receive all requested information and materials. You have no right to proceed with a site that we have not accepted.

(c) You also must send us for our written acceptance, which we will not unreasonably withhold, any lease or sublease that will govern your occupancy and lawful possession of each Shop site before you sign it. You have no right to sign any lease or sublease that we have not accepted in writing. We have the right (but have no obligation) to guide you in the leasing process but will not negotiate the lease or sublease for you or provide any legal advice.

(d) If we accept and you (or your Approved Affiliate) secure lawful possession of the proposed site, but you (or your Approved Affiliate) have not yet signed a franchise agreement for that Shop, you agree within the time period we specify (but no later than the date specified in the Schedule) to sign (or cause your Approved Affiliate to sign) a separate franchise agreement (and related documents, including Guaranty and Assumption of Obligations) for that Shop and to pay us the balance of the initial franchise fee due. If you (or your Approved Affiliate) fail to do so, or cannot obtain lawful possession of the proposed site, we have the right to withdraw our acceptance of the proposed site and exercise any of our other rights under this DRA. After you and your owners (or your Approved Affiliate and its owners) sign the franchise agreement (and related documents, including Guaranty and Assumption of Obligations), its terms and conditions will control the construction, development, and operation of the RANDY'S DONUTS® Shop (except that the required opening date is governed exclusively by the Schedule in this DRA, as provided in Section 2(b) above).

(e) In addition to our rights with respect to proposed RANDY'S DONUTS® Shop sites, we have the right to delay your (and your Approved Affiliates') construction, development, and/or opening of additional RANDY'S DONUTS® Shops within the Territory for the time period we deem best if we believe in our sole judgment, when you submit your application for another Shop, or

after you (or your Approved Affiliate) have constructed and developed but not yet opened a particular Shop, that you (or your Approved Affiliate) are not yet operationally, managerially, or otherwise prepared (no matter the reason) to construct, develop, open, and/or operate the additional RANDY'S DONUTS® Shop in full compliance with our standards and specifications. We have the right to delay additional development and/or a Shop's opening for the time period we deem best as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Schedule (unless we are willing to extend the Schedule proportionately to account for the delay).

6. **Term.** This DRA's term begins on the Effective Date and ends on the date when (a) you (or your Approved Affiliate) open for business the final RANDY'S DONUTS® Shop to be constructed and developed under the Schedule, or (b) this DRA otherwise is terminated, but in any event this DRA's term will end no later than *<insert date>*.

7. **Termination.** We have the right at any time to terminate this DRA and your rights under this DRA to develop RANDY'S DONUTS® Shops within the Territory, such termination to be effective upon our delivery to you of written notice of termination, if:

(a) you fail either to meet any deadline under the Schedule or to satisfy any other obligation under this DRA, which defaults you have no right to cure; or

(b) the First Franchise Agreement or another franchise agreement between us and you (or your Approved Affiliate) for a RANDY'S DONUTS® Shop is terminated by us in compliance with its terms or by you (or your Approved Affiliate) for any (or no) reason; or

(c) we have delivered a formal written notice of default to you (or your Approved Affiliate) under the First Franchise Agreement or another franchise agreement between us and you (or your Approved Affiliate) for a RANDY'S DONUTS® Shop, and you (or your Approved Affiliate) fail to cure that default within the required timeframe; or

(d) you (or your Approved Affiliate), without our prior written approval, cease operating any RANDY'S DONUTS® Shop.

No portion of the Development Fee is refundable upon termination of this DRA or under any other circumstances. If we terminate this DRA solely because you fail to meet any deadline under the Schedule, we will keep the full Development Fee but otherwise will not seek to recover damages from you due solely to such failure.

Termination of this DRA under any of clauses (a), (b), (c), or (d) above is not deemed to be the termination of any franchise rights because this DRA grants you no separate franchise rights. Franchise rights arise only under franchise agreements signed directly with us. While you will lose all further rights to develop RANDY'S DONUTS® Shops within the Territory if this DRA is terminated, termination of this DRA does not affect any franchise rights previously granted under any then-effective individual franchise agreements.

8. **Assignment.**

(a) Your development rights under this DRA are not assignable at all. This means we will not under any circumstances allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of this DRA, a transfer of a controlling ownership interest in you or in an entity with a controlling ownership interest in you, or any other event attempting to assign the development rights. An assignment (direct or indirect) of only a non-controlling ownership interest in you is permitted (and would not be deemed to be a transfer of your development rights). References to a “controlling ownership interest” in you or one of your owners (if an entity) mean the percent of voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, whether a “controlling ownership interest” is involved must be determined both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

(b) We have the right to change our ownership or form and/or assign this DRA to a third party without restriction. Specifically and without limiting the foregoing, you agree that we have the right to sell our assets (including this DRA), the Marks, or the RANDY’S DONUTS® Shop franchise system to a third party; offer our ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, securitization, or other economic or financial restructuring.

9. **Representations and Warranties.** You and your owners, jointly and severally, represent, warrant, and covenant to us that your execution and delivery of, and performance of your obligations under, this DRA have not violated and will not violate (a) any other agreement or commitment to which you or they are a party or by which you or they are otherwise bound, or (b) the rights of, or duties owed to, any third party.

10. **Indemnity.** To the maximum extent permitted by law, you and your owners, jointly and severally, agree to indemnify, defend, and forever hold harmless us and our parent and other affiliated entities, and our and their respective officers, directors, owners, principals, employees, agents, representatives, successors, and assigns (collectively, the “Randy’s Parties”), against, and to reimburse the Randy’s Parties for, any losses, liabilities, expenses, or damages (actual or consequential), including, without limitation, reasonable attorneys’, attorney assistants’, accountants’, and expert witness fees, collection costs, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which the Randy’s Parties suffer directly or indirectly arising from or with respect to (a) any breach or alleged breach by you or your owners of any representation or warranty set forth in this DRA, or (b) any claim or allegation by any third party that our signing this DRA with you or granting you the development rights, or any related activities, violate any law or any rights of, or duty owed to, such third party. This indemnification obligation is in addition to the indemnification obligations currently referenced in Section 11 below.

11. **Incorporation of Other Terms.** Sections 9, 12, 20, 21, 23, and 24 of the First Franchise Agreement, entitled “Confidential Information,” “Exclusive Relationship,” “Relationship of the Parties; Indemnification,” “Enforcement,” “Notices and Payments,” and “Electronic Mail,”

respectively, including, without limitation, the arbitration obligations under Section 21.F of the First Franchise Agreement, are incorporated by reference in this DRA and will govern all aspects of this DRA and our and your relationship as if fully restated within the text of this DRA (whether or not the First Franchise Agreement is terminated before this DRA expires or is terminated).

This DRA and all exhibits to this DRA constitute the entire agreement between the parties with respect to its subject matter and supersede any and all prior negotiations, understandings, representations, and agreements with respect to its subject matter. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

12. **No Waiver or Disclaimer of Reliance in Certain States**. The following provision applies only to developers and franchises that are subject to the 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 acknowledgement 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 our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

*[Signature Page Follows]*



**In Witness Whereof**, we and you have signed and delivered this DRA, to be effective as of the Effective Date set forth next to our signature below.

<b>QUAD QUEENS LLC</b>	<b>DEVELOPER</b>
By: _____	_____
Name: _____	[Name]
Title: _____	By: _____
Date: _____ **	Name: _____
**Effective Date	Title: _____
	Date: _____

**EXHIBIT A**

**TO QUAD QUEENS LLC DEVELOPMENT RIGHTS AGREEMENT**

**SCHEDULE**

You agree to construct, develop, and open \_\_\_\_\_ (\_\_\_\_) new RANDY’S DONUTS® Shops in the Territory, including the Shop that is the subject of the First Franchise Agreement, according to the following Schedule:

<b>Shop Number</b>	<b>Date by which You (or Approved Affiliate) Must Sign Franchise Agreement and Pay Balance of Initial Franchise Fee (Deadline)</b>	<b>Date by which Shop Must Open for Business (Opening Deadline)</b>	<b>Minimum Cumulative Number of New Franchised RANDY’S DONUTS® Shops to be Open and Operating in Territory No Later Than the Opening Deadline</b>
1	Concurrently with this DRA		1
2			2
3			3
4			4
5			5

<b>QUAD QUEENS LLC</b>  By: _____  Name: _____  Title: _____  Date: _____	<b>DEVELOPER</b>  _____ [Name]  By: _____  Name: _____  Title: _____  Date: _____
---	--

**EXHIBIT B**

**TO QUAD QUEENS LLC DEVELOPMENT RIGHTS AGREEMENT**

**DESCRIPTION AND MAP OF TERRITORY (below and attached)**

(If there is any inconsistency between a narrative description and a pictorial identification of the Territory, the narrative description of the Territory will prevail.)

<b>QUAD QUEENS LLC</b>	<b>DEVELOPER</b>
By: _____	_____
Name: _____	[Name]
Title: _____	By: _____
Date: _____	Name: _____
	Title: _____
	Date: _____

**EXHIBIT C**

**TO QUAD QUEENS LLC DEVELOPMENT RIGHTS AGREEMENT**

**DEVELOPER AND ITS OWNERS**

**Effective Date:** This Exhibit C is current and complete as of \_\_\_\_\_, 20\_\_

**Form.** Developer was incorporated or formed on \_\_\_\_\_, 20\_\_, under the laws of the State of \_\_\_\_\_. Developer has not conducted business under any name other than its corporate, limited liability company, or partnership name and (if applicable) \_\_\_\_\_. The following lists Developer’s directors or managers (if applicable) and officers as of the effective date shown above:

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

**Owners.** The following lists the full name of every person who or entity that is, as of the effective date shown above, 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>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

*[Signature Page Follows]*

<b>QUAD QUEENS LLC</b>	<b>DEVELOPER</b>
By: _____	_____
Name: _____	[Name]
Title: _____	By: _____
Date: _____	Name: _____
	Title: _____
	Date: _____

**EXHIBIT D**

**OPERATIONS MANUAL TABLE OF CONTENTS**

# Table of Contents



<b>Welcome to the Team</b> .....	3
About our Bakery.....	3
The Job of a Fryer .....	3
<b>Getting Started</b> .....	6
Safety & Sanitation.....	6
Tools & Equipment for Fryers .....	8
About Donuts.....	9
How to Follow a Recipe [SOP].....	9
Using Production Pars .....	10
Waste Sheet.....	10
<b>Frying Basics</b> .....	11
The Fryer .....	11
Fryer Oil.....	11
Frying Do's and Don'ts.....	12
Frying Troubleshooting .....	12
Fryer Safety.....	12
<b>Frying Raised Donuts</b> .....	13
Raised Donuts .....	13
Raised Donut Frying SOPs .....	13
Raised Donut Frying Steps.....	14
<b>Frying Cake &amp; Other Donuts</b> .....	16
Cake & Other Donuts.....	16
Cake and Other Donut Frying SOPs.....	16
Frying Cake Donuts.....	17
Using the Donut Depositor.....	17
Cake Donut Frying Steps.....	18
Glazing Station.....	19
How to Crumb a Donut.....	20
<b>Daily Training Sign Off Page</b> .....	21
<b>Fryer Certification Checklist</b> .....	22

# Table of Contents



<b>Welcome to the Team</b> .....	3
About our Bakery.....	3
The Job of a Decorator .....	3
My Training.....	5
<b>Getting Started</b> .....	6
Safety & Sanitation.....	6
Tools & Equipment for Decorators .....	8
About Donuts.....	10
How to Follow a Recipe [SOP].....	10
Using Production Pars .....	11
Waste Sheet.....	11
<b>Icings &amp; Glaze</b> .....	12
Icing and Glaze SOPs.....	12
Types of Icings.....	12
Preparing Icings .....	13
How to Ice Donuts .....	14
How to Glaze Donuts.....	14
<b>Crumbs &amp; Fillings</b> .....	15
Crumb and Filling SOPs.....	15
Preparing Donut Crumb .....	15
How to Crumb a Donut.....	16
How to Jelly Fill a Donut.....	16
How to Cream Fill a Donut .....	16
<b>Decorating Donuts</b> .....	17
Decorating Donuts.....	17
Donut Toppings .....	17
Donut Descriptions.....	18
Other Donuts.....	22
Donut Finishing Quick Reference.....	23
<b>Daily Training Sign Off Page</b> .....	24
<b>Decorator Certification Checklist</b> .....	25



# Table of Contents



<b>Welcome to the Team</b> .....	3
About our Bakery.....	3
The Job of a Cashier.....	3
My Training.....	5
<b>Getting Started</b> .....	6
Safety & Sanitation.....	6
Baking Operations.....	8
Tools & Equipment.....	9
<b>Product Knowledge</b> .....	10
About Donuts.....	10
The Menu.....	11
Donut Descriptions.....	12
Other Donuts.....	16
Breakfast Category Menu Items.....	17
Other Beverages.....	18
Coffee & Espresso.....	18
Merchandise.....	19
Packaging Donuts.....	20
Donut Display Case.....	23
<b>Customer Service</b> .....	25
Making Customers Feel Welcome.....	25
Greetings & Order Taking.....	25
Using the POS System.....	27
Phone Answering Basics.....	29
Phone Orders.....	29
Helping with Large Orders.....	32
Common Customer Questions.....	33
<b>Daily Training Sign Off Page</b> .....	35
<b>Cashier Certification Checklist</b> .....	36
<b>Beverage Certification Checklist</b> .....	37

# Table of Contents



<b>Welcome to the Team</b> .....	2
About our Bakery.....	2
The Job of a Baker .....	2
My Training.....	4
<b>Getting Started</b> .....	6
Safety & Sanitation.....	6
Tools & Equipment for Bakers .....	8
About Donuts.....	10
How to Follow a Recipe [SOP].....	10
Using Production Pars .....	11
Waste Sheet.....	11
<b>Raised Dough Steps of Production</b> .....	12
Raised Dough Order of Production .....	13
Raised Donut SOPs .....	14
Raised Fancy & Specialty Donuts .....	14
<b>Cake Donut &amp; Other Batters</b> .....	15
Cake Donut and Other Batter SOPs .....	15
Preparing Donut Batters .....	15
Batter Production Quick Reference .....	15
Using the Donut Depositor.....	16
<b>Daily Training Sign Off Page</b> .....	17
<b>Baker Certification Checklist</b> .....	21

# Table of Contents



## Section 1: Batters & Doughs

- Raised Dough ..... 1
- Batter Production Quick Reference ..... 2
- Cake Donut Batter..... 3
  - Blueberry Cake Donut Batter..... 4
  - Red Velvet Cake Donut Batter..... 5
  - Wheat & Honey Cake Donut Batter..... 6
  - Devil's Food Cake Donut Batter..... 7
- Old Fashioned/Chocolate Old Fashioned Batter..... 8
- Buttermilk Dough ..... 9
- French Cruller Batter ..... 10

## Section 2: Donut Baking Prep

- Order of Production: Raised Donuts ..... 11
  - How to Cut Raised Donuts: Rings and Jellies..... 12
  - How to Cut Raised Donuts: Long Johns & Twists..... 13
- Bear Claws ..... 14
- Cinnamon Rolls ..... 15
- Apple Fritters..... 16
- Tiger Tails ..... 17
- Giant Glazed Cake..... 18
- Texas Raised..... 19
- Randy's Rounds ..... 20
- How to Proof Crondy's ..... 21
- Croissants ..... 22

## Section 3: Frying

- Fry Time Quick Reference Guide ..... 23
- How to Fry Raised Donuts ..... 24
- How to Fry Cake Donuts ..... 25
- How to Fry Old Fashioned Donuts ..... 26
- How to Fry Buttermilk Donuts ..... 27
- How to Fry French Crullers ..... 28
- Fryer Troubleshooting FAQ ..... 29

## Section 4: Icings & Glazes

- How to Make Icing Base ..... 32
- Order of Production of Icing ..... 33
- How to Make Chocolate Icing ..... 34
- How to Make Flavored Icings ..... 35
- How to Make Decorative Icings ..... 36
- How to Make Glaze ..... 37

# Table of Contents



## Section 5: Donut Finishing

Donut Finishing Quick Reference .....	38
How to Glaze Donuts .....	40
How to Ice Donuts .....	41
How to Jelly Fill Donuts .....	42
How to Cream Fill Donuts .....	43
How to Make Bacon Topping .....	44
How to Make Cinnamon Crumb .....	45
How to Make Butter/Chocolate Crumb .....	46

## Section 6: Forms & Checklists

Par Sheet .....	47
Waste Sheet .....	49
Cleaning Checklist .....	50
Conversion Chart .....	54

## Section 7: Equipment

Mixer .....	57
Glazer, Icing & Finishing Table .....	64
Fryer Electric.....	72
Fryer Gas .....	85
Power Base Filler .....	114
Donut Depositor .....	117
Shortening Filler.....	132
Baker Table .....	144

All materials are trademarked and copyrighted in all countries by Quad Queens LLC, a California Limited Liability Company doing business as Randy's Donuts and Sansmark, Inc., a California corporation, doing business as Randy's Donuts. All rights are reserved by Quad Queens LLC and Sansmark Inc. Any theft or unauthorized use of these materials will be prosecuted to the fullest extent of the law in all countries., and all criminal penalties, fines, and damages will be sought and strictly enforced.

# Table of Contents



<b>Section 1: Shift Management .....</b>	
Opening Store Procedures .....	3
Daily Walkthroughs.....	4
Daily Cashier Checklists.....	6
Donut Log Counts .....	9
Shift Change Duties .....	10
Closing Store Procedures.....	12
Daily, Weekly, Monthly Manager Duties .....	13
Ordering Guidelines.....	14
<b>Section 2: Point of Sale.....</b>	
Banks and Cash .....	15
Making a Deposit .....	16
Setting & Closing Tills.....	17
Checkouts.....	21
<b>Section 3: Point of Sale.....</b>	
Manager POS Functions.. .....	23
Reporting & Reconciliation .....	24
Timekeeping & Breaks.....	28
<b>Section 4: People &amp; Training.....</b>	
Job Descriptions.....	29
Staffing & Scheduling .....	35
Employee Training Overview .....	37
<b>Section 5: Store Maintenance.....</b>	
Equipment Maintenance.....	39
Service Schedules .....	40
Vendor Contacts.....	41
<b>Section 6: Custom &amp; Online Ordering.....</b>	
Advanced Orders & 3 <sup>rd</sup> Party Delivery Orders.....	42
Ordering How to Guide.....	46
Online Ordering.....	48
<b>Section 7: Forms &amp; Checklists.....</b>	
Safety & Sanitation Checklist.....	49
Product Quality Assurance Daily Checklist.....	50
Par Sheets.....	51
Waste Log.....	52

**EXHIBIT E**

**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**

Website: [www.dfpi.ca.gov](http://www.dfpi.ca.gov)  
Email: [ask.DFPI@dfpi.ca.gov](mailto:ask.DFPI@dfpi.ca.gov)

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

***Los Angeles***

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

***Sacramento***

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

***San Diego***

1455 Frazee Road, Suite 315  
San Diego, California 92108  
(619) 525-4233

***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94104-4428  
(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 7<sup>th</sup> 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, 6<sup>th</sup> Floor  
Albany, New York 12231-0001  
(518) 473-2492

(Administrator)

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

**NORTH DAKOTA**

(for service of process)

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, 14<sup>th</sup> Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(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 41200  
Olympia, Washington 98504-1200  
(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 F**

**FRANCHISEE REPRESENTATIONS DOCUMENT**

**(This Franchisee Representations Document will not be used if the franchise is to be operated in, or you are a resident of, California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)**

**QUAD QUEENS LLC**  
**FRANCHISEE REPRESENTATIONS**

**DO NOT SIGN THIS FRANCHISEE REPRESENTATIONS IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**Important Instructions:** Quad Queens LLC (“we,” “us,” or “our”) and you are preparing to enter into a Franchise Agreement for the development and operation of a RANDY’S DONUTS® Shop (the “Shop”) and, possibly, a Development Rights Rider for the development of multiple RANDY’S DONUTS Shops. This document’s purpose is to determine whether any statements or promises were made to you that we have not authorized, that do not appear in or are inconsistent with our franchise documents, and/or that may be untrue, inaccurate, or misleading. We also want to be sure that you understand certain terms of the agreements you will sign and their ramifications. Please review each of the following statements carefully and do not sign this document if it contains anything you think might be untrue. If you sign this document, you are confirming the truth of what it says. In addition, if you sign it, we will take actions in reliance on the truth of what it says.

Name of Prospective Franchisee: \_\_\_\_\_  
(the “Franchisee”)

Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has conducted its, his, or her own independent investigation of us, our affiliates, the Franchise System (as that term is used in our Franchise Agreement), the risks, burdens, and nature of the business that Franchisee will conduct under the Franchise Agreement, the Shop, the shopping center or other location for the Shop (if already selected), and the Shop’s market area.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

2. Each of the undersigned understands that the business Franchisee will conduct under the Franchise Agreement involves risk, and any success or failure will be substantially influenced by Franchisee’s ability and efforts, the viability of the Shop’s location, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

3. Each of the undersigned understands that we previously might have entered, and in the future we may enter, into franchise agreements with provisions different from the provisions of the Franchise Agreement for the Shop.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

4. If we unilaterally made material changes in Franchisee’s final, ready-to-be signed copies of the Franchise Agreement and related documents (other than as a result of our negotiations with Franchisee), Franchisee has had possession of those documents for at least seven (7) calendar days before executing them and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning those documents.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

5. Franchisee has received a franchise disclosure document (“FDD”) as required by law at least 14 calendar days before signing the Franchise Agreement, or paying any consideration to us or our affiliate in connection with this franchise, and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning the FDD.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

6. Except as provided in Item 19 of our FDD, we and our affiliates and agents have made no representation, warranty, promise, guaranty, prediction, projection, or other statement, and given no information, as to the future, past, likely, or possible income, sales volume, or profitability, expected or otherwise, of the Shop or any other business, except: (None, unless something is filled-in here or provided on additional sheets)

---

---

---

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

7. Each of the undersigned understands that:

7.1 Except as provided in Item 19 of our FDD, we do not authorize our affiliates, or our or their respective officers, directors, employees, or agents, to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection, or other statement or information concerning actual or potential income, sales volume, or profitability, either generally or of any RANDY’S DONUTS Shop.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

7.2 Actual results vary from unit to unit and from time period to time period, and we cannot estimate, project, or predict the results of any particular RANDY’S DONUTS Shop.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

7.3 We have specifically instructed our affiliates, and our and their respective officers, directors, employees, and agents, that except as provided in Item 19 of our FDD, they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection, or other statement or give other information as to income, sales volume, or profitability, either generally or with respect to any particular RANDY’S DONUTS Shop.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

8. Before signing the Franchise Agreement and any related documents, the undersigned Franchisee has had ample opportunity: (a) to discuss the Franchise Agreement, any related document, and the business Franchisee will conduct with its, his, or her own attorneys, accountants, and real estate and other advisors; (b) to contact our existing franchisees; and (c) to investigate all statements and information made or given by us or our affiliates, or our or their respective officers, directors, employees, and agents, relating to the Franchise System, the Shop, and any other subject.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

9. Each of the undersigned understands that the Franchise Agreement licenses certain rights for one, and only one, RANDY'S DONUTS Shop, located only at the location now specified (or to be specified) in the Franchise Agreement, and that, except as may be provided in the Franchise Agreement or a signed Development Rights Rider with us, no "exclusive," "expansion," "protected," "non-encroachable," or other territorial rights, rights of first refusal, or rights of any other kind are granted or have been promised concerning the shopping center or other structure in which the Shop is located, the contiguous or any other market area of the Shop, or any other existing or potential RANDY'S DONUTS Shop or geographic territory.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

10. Each of the undersigned understands that nothing stated or promised that is not specifically set forth in the Franchise Agreement or FDD can be relied upon by the undersigned or Franchisee.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

11. Each of the undersigned has confirmed that no employee or agent of ours or our affiliates, or other person speaking on our behalf, has made any statement, promise, or agreement concerning the advertising, marketing, training, support service, or assistance we will furnish to Franchisee that is contrary to, or different from, the information contained in the FDD and the Franchise Agreement.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

12. Each of the undersigned understands that we and our affiliates may sell or transfer our assets, our trademarks, and/or the RANDY'S DONUTS Shop Franchise System outright to a third party; may go public; may engage in a private placement of some or all of our and our affiliates' securities; may merge, acquire other companies, or be acquired by another company; and/or may undertake a refinancing, a recapitalization, a leveraged buy-out, or other economic or financial restructuring.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

13. The only state(s) in which each of the undersigned is a resident is (are): \_\_\_\_\_.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

14. Each of the undersigned understands the importance of the Shop's location. The undersigned and Franchisee have had, or will have, ample opportunity and the means to investigate, review, and analyze independently the Shop's location, the shopping center or other building in which it is contained, the market area and all other facts relevant to the selection of a site for a RANDY'S DONUTS Shop, and the lease documents for such location.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

15. Each of the undersigned understands that neither our acceptance or selection of any location nor our negotiation or acceptance of any lease implies or constitutes any warranty, representation, guarantee, prediction, or projection that the location will be profitable or successful or that the lease is on favorable terms. It often is the case that leases are available only on very tough terms.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

16. Each of the undersigned understands that site selection is a difficult and risky proposition. We and our affiliates have not given (and will not give) any representation, warranty, promise, guaranty, prediction, projection, or other statement or information relied upon by the undersigned or Franchisee regarding a location's prospects for success, nearby tenants or other attributes, or the form or contents of any lease. Franchisee will have any lease reviewed by its, his, or her own attorney and other advisors.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

17. The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or Franchisee. Each of them has other considerable skills, abilities, opportunities, and experience in other matters and of a general nature enabling each of them to derive income that is satisfactory to them from other endeavors.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

18. There is no fiduciary or confidential relationship between us and the undersigned or between us and Franchisee. Each of the undersigned expects us to deal, and will act as if we are dealing, with it, him, or her at arm's length and in our own best interests.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

19. We have advised the undersigned and Franchisee to consult with their own advisors on the legal, financial, and other aspects of the Franchise Agreement, this document, the Shop, any lease or sublease for the premises, and the business contemplated. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

20. Neither we or our affiliates, nor any of our or our affiliates' employees or agents, have provided the undersigned or Franchisee with services or advice that is legal, accounting, or other professional services or advice.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

21. The statements made in this document supplement and are cumulative to statements, warranties, and representations made in other documents, such as the Franchise Agreement. The statements made in this document or the Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

22. Each of the undersigned understands that, in the franchise relationship, we and Franchisee will be independent contractors. Nothing is intended to make either Franchisee or us (or any affiliate of ours) a general or special agent, joint venturer, partner, or employee of the other for any purpose. We (and our affiliates) will not exercise direct or indirect control over the Shop's personnel except to the extent any indirect control is related to our legitimate interest in protecting the quality of products, service, or the RANDY'S DONUTS Shop brand. We (and our affiliates) will not share or codetermine the terms and conditions of employment of the Shop's employees or affect matters relating to the employment relationship between Franchisee and the Shop's employees, such as employee selection, training, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. We (and our affiliates) will not be the employer or joint employer of the Shop's employees.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

23. The President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations, and the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). We therefore require certain certifications that the parties with whom we deal are not directly or indirectly involved in terrorism. For that reason, the undersigned and Franchisee hereby certify that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with Franchisee, is: (a) a person or entity listed in the Annex to the Executive Order; (b) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism; (c) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (d) owned or controlled by terrorists or sponsors of terrorism. The undersigned and Franchisee further covenant that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with them, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

**FRANCHISEE:**

[ \_\_\_\_\_ ]

By: \_\_\_\_\_  
**Signature**

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

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

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

**Owners/executives of the Franchisee legal entity must sign below individually**

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

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

\_\_\_\_\_  
(Name Printed)

\_\_\_\_\_  
(Name Printed)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Date)



**EXHIBIT G**

**FORM OF GENERAL RELEASE**

**QUAD QUEENS LLC**

**GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE**

Quad Queens LLC (“we,” “us,” or “our”) and the undersigned franchisee, \_\_\_\_\_ *[insert name of franchisee entity]* (“you” or “your”), currently are parties to a Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”) for the operation of a RANDY’S DONUTS Shop located at \_\_\_\_\_ . You have asked us to \_\_\_\_\_ *[insert relevant detail]* (the “Action”). We currently have no obligation under the Franchise Agreement or otherwise to take the Action, or we have the right under the Franchise Agreement to condition our approval on your and your owners signing a release of claims. We are willing to take the Action if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below in consideration for our willingness to take the Action.

Consistent with the previous introduction, you, on behalf of yourself and your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our parent and other affiliated entities, and our and their respective current and former officers, directors, owners, principals, employees, agents, representatives, successors, and assigns (collectively, the “Randy’s Donuts Parties”) from any and all claims, damages, demands, debts, causes of action, suits, duties, liabilities, costs, and expenses of any nature and kind, whether presently known or unknown, vested or contingent, suspected or unsuspected (all such matters, collectively, “Claims”), that you and any other Releasing Party now have, ever had, or, but for this Consent, hereafter would or could have against any Randy’s Donuts Party (1) arising out of or related in any way to the Randy’s Donuts Parties’ performance of or failure to perform their obligations under the Franchise Agreement before the date of your signature below, (2) arising out of or related in any way to our offer and grant to you of your Randy’s Donuts Shop franchise, or (3) otherwise arising out of or related in any way to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Randy’s Donuts Parties. You, on behalf of yourself and the other Releasing Parties, further covenant not to sue any Randy’s Donuts Party on any Claim released by this paragraph and represent that you have not assigned any Claim released by this paragraph to any individual or entity that 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.

**Acknowledgment of Releases under California Law. Each Party granting a release acknowledges a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:**

**“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”**

**Each Party granting a release under this Agreement recognizes that he, she, or it may have some claim, demand, or cause of action against the other Parties of which he, she, or it is unaware and unsuspecting, and which he, she, or it is giving up by signing this**

**Agreement. Each Party granting a release hereby waives and relinquishes every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that such right or benefit may lawfully be waived.**

\*\*\*\*\*

**Each party to this release acknowledges that the release provisions contained herein do not apply to claims arising under the Franchise Investment Protection Act of the State of Washington, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220(2), except when this release is executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel.**

**QUAD QUEENS, LLC**

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

\_\_\_\_\_  
*[Name of Franchisee]*

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

\_\_\_\_\_  
[Name of Owner]

\_\_\_\_\_  
[Signature and Date]

## **EXHIBIT H**

### **STATE-SPECIFIC ADDITIONAL DISCLOSURES AND AGREEMENT RIDERS**

#### **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 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 acknowledgement 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 our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
QUAD QUEENS LLC**

The following are additional disclosures for the Franchise Disclosure Document of **QUAD QUEENS LLC** required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

**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 DISCLOSURE DOCUMENT 14 DAYS PRIOR TO THE EXECUTION OF ANY AGREEMENT.

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

3. OUR WEBSITE, [www.randysdonuts.com](http://www.randysdonuts.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

4. The following language is added to the end of Item 3 of the Franchise Disclosure Document:

Neither we, nor any person 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 person from membership in that association or exchange.

5. The following paragraphs are added to the end of Item 17 of the Franchise Disclosure Document:

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning transfer, termination, or non-renewal of a

franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, then 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 provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement requires binding arbitration. The arbitration will occur at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed (currently Inglewood, California), with the costs being borne equally by the parties (and with each party also bearing all of its own travel and related expenses during the arbitration). 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.

You must sign a general release of claims if you renew or transfer the 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 31000–31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000–20043).

No statement, questionnaire, or acknowledgement 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 our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

## **HAWAII**

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE**

**AND NOT MISLEADING. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

1. The following paragraph is added to the end of Item 17 of the Franchise Disclosure Document:

No statement, questionnaire, or acknowledgement 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 our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

2. Exhibit F (Franchisee Representations) to the Franchise Disclosure Document is hereby deleted in its entirety.

## **ILLINOIS**

1. The following paragraphs are added to the end of Item 17 of the Franchise Disclosure Document:

Except for the Federal Arbitration Act that applies to arbitration, 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.

## **MARYLAND**

1. The following risk factor is added to the page of the Franchise Disclosure Document titled “Special Risks to Consider About *This* Franchise”:

**Pricing.** Brand Standards may regulate maximum, minimum, or other pricing requirements for products and services the Shop sells, including requirements for national, regional, and local promotions, special offers, and discounts in which some or all RANDY’S DONUTS Shops must participate and price advertising policies. This may reduce the anticipated profit of your franchise business.

2. The following language is added to the last paragraph of Items 5 and 7 of the Franchise Disclosure Document:

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Despite the payment provisions above, 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 RANDY’S DONUTS Shop. You must pay us the initial franchise fee on the day you begin operating your RANDY’S DONUTS Shop.

Despite the payment provisions above, we will defer your payment of the development fee due to us under a Development Rights Agreement until we have fulfilled all our initial obligations to you and you have commenced operating your first RANDY’S DONUTS Shop. You must pay us the development fee due under a Development Rights Agreement on the day you begin operating your first RANDY’S DONUTS Shop.

3. The following language is added to the end of the “Summary” sections of Item 17(c) of the Franchise Disclosure Document, titled “Requirements for franchisee to renew or extend,” and Item 17(m) of the Franchise Disclosure Document, titled “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.

4. The following language is added to the end of the “Summary” section of Item 17(h) of the Franchise Disclosure Document, titled “‘Cause’ defined – non-curable defaults”:



Termination upon insolvency 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.

5. The “Summary” section of Item 17(v) of the Franchise Disclosure Document, titled “Choice of forum,” is amended to read as follows:

Subject to your arbitration obligation, and to the extent required by the Maryland Franchise Registration and Disclosure Law, you may bring an action in Maryland.

6. The “Summary” section of Item 17(w) of the Franchise Disclosure Document, titled “Choice of law,” is amended to read as follows:

The laws of the state in which your RANDY’S DONUTS Shop is located govern, except for Federal Arbitration Act, other federal law, and claims arising under the Maryland Franchise Registration and Disclosure Law.

7. The following language is added to the end of the chart in Item 17 of the Franchise Disclosure Document:

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

No statement, questionnaire, or acknowledgement 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 our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

## **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 E 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 DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following language is added to the end of Item 3 of the Franchise Disclosure Document:

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 language is added to the end of Item 4 of the Franchise Disclosure Document:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

- (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- (b) obtained a discharge of its debts under the bankruptcy code; or
- (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following language is added to the end of Item 5 of the Franchise Disclosure Document:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c) of the Franchise Disclosure Document, titled “Requirements for franchisee to renew or extend,” and Item 17(m) of the Franchise Disclosure Document, titled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d) of the Franchise Disclosure Document, titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following language is added to the end of the “Summary” section of Item 17(j) of the Franchise Disclosure Document, titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following language is added to the end of the “Summary” section of Item 17(v) of the Franchise Disclosure Document, titled “Choice of forum”:

The foregoing choice of forum 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.

## **VIRGINIA**

1. The following language is added to the end of the “Summary” section of Item 17(h) of the Franchise Disclosure Document, titled “‘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 might not be enforceable.

## **WASHINGTON**

1. The following language is added to the end of the “Summary” section of Item 17(u) of the Franchise Disclosure Document, titled “Dispute resolution by arbitration or mediation”:

(subject to Washington state law).

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

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 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**

**RIDER TO THE QUAD QUEENS LLC  
FRANCHISE AGREEMENT  
FOR USE IN HAWAII**

**THIS RIDER** is made by and between **QUAD QUEENS LLC**, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the franchise offer or sales activity relating to the Franchise Agreement occurred in Hawaii, or (b) you are a resident of Hawaii.

2. **ACKNOWLEDGMENTS.** Sections 2(vii) through 2(xiv) of the Franchise Agreement are hereby deleted.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

**QUAD QUEENS LLC**, a California  
limited liability company

**FRANCHISEE**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_\*\*

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

\*\*Effective Date

**RIDER TO THE QUAD QUEENS LLC  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER** is made by and between **QUAD QUEENS LLC**, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the franchise offer or sales activity occurred in Illinois, and the RANDY’S DONUTS Shop you will operate under the Franchise Agreement will be located in Illinois, or (b) you are a resident of Illinois.

2. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 21.H of 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.

3. **WAIVER OF PUNITIVE AND EXEMPLARY DAMAGES AND JURY TRIAL.** The following language is added to the end of Sections 21.I and 21.J 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.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as a new Section 25 of the Franchise Agreement:

25. **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 and delivered this Rider, to be effective as of the date set forth next to our signature below.

**QUAD QUEENS LLC**, a California  
limited liability company

**FRANCHISEE**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_ \*\*

\_\_\_\_\_  
[Name]

\*\*Effective Date

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**RIDER TO THE QUAD QUEENS LLC  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER** is made and entered into by and between **QUAD QUEENS LLC**, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”).

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). 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, or (b) the RANDY’S DONUTS Shop you will operate under the Franchise Agreement will be located in Maryland.

2. **ACKNOWLEDGMENTS**. Sections 2(vii) through 2(xiv) of the Franchise Agreement are hereby deleted.

3. **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. Despite the payment provisions above, we will defer your payment of the initial franchise fee until we have fulfilled all our initial obligations to you under this Agreement and you have commenced operating your Shop. You must pay us the initial franchise fee on the day you open your Shop for business.

4. **RELEASES**. The following language is added to the end of Sections 4.A, 16.A, 16.C(ii)(i), 16.G, 17, and 19.F(iii) of the Franchise Agreement:

; provided, however, that such general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. **GOVERNING LAW**. The following language is added to the end of Section 21.G of the Franchise Agreement:

However, to the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **CONSENT TO JURISDICTION**. The following language is added to the end of Section 21.H of the Franchise Agreement:

Notwithstanding the foregoing, and subject to your arbitration obligations, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 21.L of the Franchise Agreement:

, except that any and all claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

**QUAD QUEENS LLC**, a California  
limited liability company

**FRANCHISEE**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_\*\*

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

\*\*Effective Date

**RIDER TO THE QUAD QUEENS LLC  
FRANCHISE AGREEMENT  
STATE OF NEW YORK**

**THIS RIDER** is made by and between **QUAD QUEENS LLC**, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Rider is being signed because (a) you are a resident of the State of New York, and the RANDY’S DONUTS Shop you will operate under the Franchise Agreement will be located in New York, or (b) any of the franchise offer or sales activity occurred in New York.

2. **RELEASES.** The following language is added to the end of Sections 4.A, 16.A, 16.C(ii)(i), 16.G, 17, and 19.F(iii) of the Franchise Agreement:

Notwithstanding the foregoing, 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 the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **TRANSFER BY US.** The following language is added to the end of Section 16.A 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.

4. **TERMINATION BY YOU.** The following language is added to the end of Section 18.A of the Franchise Agreement:

You also 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.

5. **GOVERNING LAW/CONSENT TO JURISDICTION.** The following language is added to the end of Sections 21.G and 21.H 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 General Business Law of the State of New York and the regulations issued thereunder.

6. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 21.L of the Franchise Agreement:

To the extent required by Article 33 of the General Business Law of the State of New York, all rights 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 provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

**QUAD QUEENS LLC**, a California  
limited liability company

**FRANCHISEE**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_\*\*

\_\_\_\_\_  
[Name]

\*\*Effective Date

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

## WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, FRANCHISE DISCLOSURE QUESTIONNAIRE, AND RELATED AGREEMENTS

**THIS RIDER** is made and entered into by and between **QUAD QUEENS LLC**, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Washington, or (b) the RANDY’S DONUTS Shop you will operate under the Franchise Agreement will be located or operated in Washington, or (c) any of the franchise offer or sales activity occurred in Washington.

2. **WASHINGTON LAW**. 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, 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 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.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

**QUAD QUEENS LLC**, a California  
limited liability company

**FRANCHISEE**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_\*\*

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

\*\*Effective Date

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



**RIDER TO THE QUAD QUEENS LLC  
DEVELOPMENT RIGHTS AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER** is made by and between QUAD QUEENS LLC, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Development Rights Agreement dated \_\_\_\_\_ (the “Development Rights Agreement”). We and you (or your affiliate) also are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”) that is being signed concurrently with the Development Rights Agreement. This Rider is annexed to and forms part of the Development Rights Agreement. This Rider is being signed because (a) any of the franchise offer or sales activity relating to the Development Rights Agreement occurred in Illinois, and the RANDY’S DONUTS Shops you will develop under the Development Rights Agreement will be located in Illinois, or (b) you are a resident of Illinois.

2. **WAIVER OF PUNITIVE AND EXEMPLARY DAMAGES AND JURY TRIAL.** The following language is added to the end of Sections 21.I and 21.J of the Franchise Agreement, as incorporated by reference in Section 11 of the Development Rights 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.

3. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as a new Section 13 of the Development Rights Agreement:

**13. Waivers Void.** 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 and delivered this Rider to be effective as of the Effective Date of the Development Rights Agreement.

<b>QUAD QUEENS LLC</b>	<b>DEVELOPER</b>
By: _____	_____
Name: _____	[Name]
Title: _____	By: _____
Date: _____ **	Name: _____
**Effective Date	Title: _____
	Date: _____

**RIDER TO THE QUAD QUEENS LLC  
DEVELOPMENT RIGHTS AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER** is made by and between QUAD QUEENS LLC, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Development Rights Agreement dated \_\_\_\_\_ (the “Development Rights Agreement”). We and you (or your affiliate) also are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”) that is being signed concurrently with the Development Rights Agreement. This Rider is annexed to and forms part of the Development Rights Agreement. This Rider is being signed because (a) you are a resident of Maryland, or (b) the RANDY’S DONUTS Shops you will develop under the Development Rights Agreement will be located in Maryland.

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

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Despite the payment provisions above, we will defer your payment of the development fee due to us under this Agreement until we have fulfilled all our initial obligations to you and you have commenced operating your first RANDY’S DONUTS Shop. You must pay us the development fee due under this Agreement on the day you begin operating your first RANDY’S DONUTS Shop.

3. **GOVERNING LAW.** The following sentence is added to the end of Section 21.G of the Franchise Agreement, as incorporated by reference in Section 11 of the Development Rights Agreement:

However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **CONSENT TO JURISDICTION.** The following sentence is added to the end of Section 21.H of the Franchise Agreement, as incorporated by reference in Section 11 of the Development Rights Agreement:

You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 21.L of the Franchise Agreement, as incorporated by reference in Section 11 of the Development Rights Agreement:

However, you must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within three (3) years after we grant you the franchise.

6. **ACKNOWLEDGMENTS**. The following language is added as a new Section 13 of the Development Rights Agreement:

**13. 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 and delivered this Rider to be effective as of the Effective Date of the Development Rights Agreement.

<b>QUAD QUEENS LLC</b>	<b>DEVELOPER</b>
By: _____	_____ [Name]
Name: _____	By: _____
Title: _____	Name: _____
Date: _____ **	Title: _____
**Effective Date	Date: _____

**RIDER TO THE QUAD QUEENS LLC  
DEVELOPMENT RIGHTS AGREEMENT  
STATE OF NEW YORK**

**THIS RIDER** is made by and between QUAD QUEENS LLC, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Development Rights Agreement dated \_\_\_\_\_ (the “Development Rights Agreement”). We and you (or your affiliate) also are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”) that is being signed concurrently with the Development Rights Agreement. This Rider is annexed to and forms part of the Development Rights Agreement. This Rider is being signed because (a) you are a resident of New York, and the RANDY’S DONUTS Shops you will develop under the Development Rights Agreement will be located in New York, or (b) any of the franchise offer or sales activity relating to the Development Rights Agreement occurred in New York.

2. **GOVERNING LAW/CONSENT TO JURISDICTION.** The following language is added to the end of Sections 21.G and 21.H of the Franchise Agreement, as incorporated by reference in Section 11 of the Development Rights 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 General Business Law of the State of New York and the regulations issued thereunder.

3. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 21.L of the Franchise Agreement, as incorporated by reference in Section 11 of the Development Rights Agreement:

To the extent required by Article 33 of the General Business Law of the State of New York, all rights 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 provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Development Rights Agreement.

<b>QUAD QUEENS LLC</b>	<b>DEVELOPER</b>
By: _____	_____
Name: _____	[Name]
Title: _____	By: _____
Date: _____ **	Name: _____
**Effective Date	Title: _____
	Date: _____

## WASHINGTON ADDENDUM TO THE DEVELOPMENT RIGHTS AGREEMENT

**THIS RIDER** is made by and between QUAD QUEENS LLC, a California limited liability company whose principal business address is 936 W. Florence Avenue, Inglewood, California 90301 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Development Rights Agreement dated \_\_\_\_\_ (the “Development Rights Agreement”). We and you (or your affiliate) also are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”) that is being signed concurrently with the Development Rights Agreement. This Rider is annexed to and forms part of the Development Rights Agreement. This Rider is being signed because (a) you are domiciled in Washington, or (b) the RANDY’S DONUTS Shops you will develop under the Development Rights Agreement will be located in Washington, or (c) any of the franchise offer or sales activity relating to the Development Rights Agreement occurred in Washington.

2. **WASHINGTON LAW.** The following paragraphs are added to the end of the Development Rights Agreement:

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 Development Rights 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 Development Rights 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 Development Rights 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 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 Development Rights 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 Development Rights Agreement or elsewhere are void and unenforceable in Washington.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Development Rights Agreement.

<p><b>QUAD QUEENS LLC</b></p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Date: _____ **</p> <p>**Effective Date</p>	<p><b>DEVELOPER</b></p> <p>_____</p> <p>[Name]</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Date: _____</p> <p>_____</p>
---	--



**EXHIBIT I**

**LISTS OF EXISTING FRANCHISEES / DEPARTED FRANCHISEES**

**LIST OF FRANCHISEES AS OF DECEMBER 31, 2023**

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

<b>Franchisee</b>	<b>Managing Owners</b>	<b>Development Territory</b>	<b>Store Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Contact Phone</b>
MADISON VALLEY GROUP INC.*	Panos Grivakis Rena Grivakis Byung Kim	North Los Angeles, CA	3007 N. Hollywood Way	Burbank	CA	91326	734-968-1353
CREWS HOSPITALITY LLC	Nick Crews	N/A	United Terminal #7 700 World Way	Los Angeles	CA	90045	310-880-9607
JAY RAJPUT LLC*	Jatinder Rajput Chanda Rajput	Temecula/ Riverside, CA	3519 Van Buren Blvd.	Riverside	CA	92503	630-333-3205
TAMEZ & SOSNOFF HOSPITALITY GROUP, INC.*	Emilio Tamez Jeremy Sosnoff	San Diego County, CA	3737 Murphy Canyon Road	San Diego	CA	92123	619-341-9691
ABSOLoot LLC	Eric Padilla	N/A	2232 E. 17 <sup>th</sup> Street	Santa Ana	CA	92705	714-747-5480
RESORTS WORLD LAS VEGAS	Ryan Thomas, Deputy General Counsel	N/A	3000 S. Las Vegas Blvd.	Las Vegas	NV	89169	833-720-2585

\* *Denotes franchisee was granted multi-unit development rights.*

*[Remainder of Page Intentionally Left Blank.]*

**FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT YET OPENED  
AS OF DECEMBER 31, 2023**

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

<b>Franchisee</b>	<b>Contact</b>	<b>Store Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Contact Phone</b>
CNRAZI, LLC*	Brian Padilla	5709 North 7 <sup>th</sup> Street	Phoenix	AZ	85014	575-496-5591
GLE CONFECTIONS LLC*	Brian Gonzales	2369 E. Shaw Avenue	Fresno	CA	93710	559-362-6543
THE DONUT MACHINE GROUP, LLC*	Alvin Watters & Calvin Watters	N/A	N/A	GA	N/A	404-399-6677

*\*Denotes franchisee granted multi-development rights.*

**LIST OF ADDITIONAL FRANCHISE AGREEMENTS SIGNED IN 2024**

<b>Franchisee</b>	<b>Contact</b>	<b>Store Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Contact Phone</b>
CNRAZ3, LLC*, **	Brian Padilla	7717 Menaul Blvd, NE	Albuquerque	NM	87110	575-496-5591

*\*Denotes franchisee granted multi-development rights.*

*\*\*Denotes franchisee signed a franchise agreement for a new location in 2024; however, that location has not yet opened.*

**DEPARTING FRANCHISEES/DEVELOPERS  
AS OF DECEMBER 31, 2023**

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

<b>Franchisee</b>	<b>Development Territory</b>	<b>Managing Owner</b>	<b>City</b>	<b>State</b>	<b>Contact Phone</b>	<b>Notes</b>
KAVON96 LLC*	Orange County, CA	Ardeshir Aszhir & Kavon Aszhir	Costa Mesa	CA	949-640-0379	Mutual Termination
DOUGH CENTRAL LLC*	Central California	Damanjot Singh	Rancho Cucamonga	CA	909-538-0959	Termination

*\*Denotes franchisee had development rights that were also terminated.*

**TRANSFERRED LOCATIONS  
AS OF DECEMBER 31, 2023**

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

<b>Franchisee</b>	<b>Development Territory</b>	<b>Managing Owner</b>	<b>City</b>	<b>State</b>	<b>Contact Phone</b>	<b>Notes</b>
KAVON96 LLC*	Orange County, CA	Ardeshir Aszhir & Kavon Aszhir	Santa Ana	CA	949-640-0379	Transfer

*\*Denotes that the transferor held development rights that were not transferred to the transferee.*

**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	April 12, 2024
Indiana	April 12, 2024
Maryland	Pending
Michigan	April 8, 2024
New York	Pending
Virginia	April 12, 2024
Washington	Pending
Wisconsin	April 12, 2024

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.

## 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 Quad Queens 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.

[Michigan law requires that Quad Queens LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that Quad Queens LLC give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If Quad Queens 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 E.

The franchisor is Quad Queens LLC, located at 936 W. Florence Avenue, Inglewood, California 90301, (424) 371-6500.

Issuance date: April 8, 2024

The franchise sellers for this offering are: Mark Kelegian, Nicolette Kelegian, Ashley Kelegian, and Samara Friedman at Quad Queens LLC, 936 W. Florence Avenue, Inglewood, California 90301, (424) 371-6500, and \_\_\_\_\_ at \_\_\_\_\_.

We authorize the respective state agents identified on Exhibit E to receive service of process for us in the particular states. I received a disclosure document from Quad Queens LLC issued as of April 8, 2024, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement
- C. Development Rights Agreement
- D. Operations Manual Table of Contents
- E. List of State Agencies/Agents for Service of Process
- F. Franchisee Representations Document
- G. Form of General Release
- H. State-Specific Additional Disclosures and Agreement Riders
- I. List of Existing Franchisees / Departed Franchisees

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

\_\_\_\_\_  
Prospective Franchisee [Signature]

***(Date, sign, and return to us at our address above or by emailing a scanned copy of the signed and dated Receipt to corporate@randysdonuts.com.)***

## 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 Quad Queens 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.

[Michigan law requires that Quad Queens LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that Quad Queens LLC give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If Quad Queens 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 E.

The franchisor is Quad Queens LLC, located at 936 W. Florence Avenue, Inglewood, California 90301, (424) 371-6500.

Issuance date: April 8, 2024

The franchise sellers for this offering are: Mark Kelegian, Nicolette Kelegian, Ashley Kelegian, and Samara Friedman at Quad Queens LLC, 936 W. Florence Avenue, Inglewood, California 90301, (424) 371-6500, and \_\_\_\_\_ at \_\_\_\_\_.

We authorize the respective state agents identified on Exhibit E to receive service of process for us in the particular states. I received a disclosure document from Quad Queens LLC issued as of April 8, 2024, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement
- C. Development Rights Agreement
- D. Operations Manual Table of Contents
- E. List of State Agencies/Agents for Service of Process
- F. Franchisee Representations Document
- G. Form of General Release
- H. State-Specific Additional Disclosures and Agreement Riders
- I. List of Existing Franchisees / Departed Franchisees

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

\_\_\_\_\_  
Prospective Franchisee [Signature]

***(Date, Sign, and Keep for Your Own Records)***