

FRANCHISE DISCLOSURE DOCUMENT



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Quack Daddy Donuts LLC
An Indiana Limited Liability Company



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Pendleton, IN 46064
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As a Quack Daddy Donuts LLC (“QDD”) franchisee, you will own and operate a donut shop that provides donut, coffee, and associated items under the tradename “Quack Daddy Donuts”. Your primary responsibility as a franchisee will be to manage the day-to-day operations of the donut shop and provide exceptional customer service to your customers.

The total initial investment necessary to begin operation of a QDD franchise is \$236,200 - \$333,000. This includes \$50,000 that must be paid to the Franchisor for an Initial Franchise Fee.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Bryan Williams at 106 W State St, Pendleton, IN 46064 or by telephone at (765)-649-1144 or by email at franchiseinfo@quackdaddydonuts.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “Buying a Franchise, A Consumer Guide,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission (“FTC”). You can contact the FTC at (877) FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov 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: June 26, 2020

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider about *This* Franchise

Certain states require the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement and area developer agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Indiana. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Indiana than in your own state.
2. **Personal Guaranty.** Your spouse must sign a document that makes your spouse liable for all your financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.



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APPLICABLE STATE LAW REQUIRES ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES APPEAR IN **EXHIBIT H**.

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, the terms “Quack Daddy Donuts,” “QDD,” “we,” or “us” refer to Quack Daddy Donuts LLC, the franchisor of this business. “You” refers to the franchisee, which buys the franchise and includes an individual or a corporation, partnership, Limited Liability Company or other legal entity. If a corporation, partnership or limited liability company buys the franchise, “you” includes each general partner in a partnership, the shareholders, officers or directors of a corporation, or members, officers or managing agents of a limited liability company.

Franchisor, Parent and Affiliates

Quack Daddy Donuts LLC is an Indiana limited liability company that was founded on September 14, 2015 with its principal place of business at 106 W. State St, Pendleton, IN 46064. We conduct business under the name “Quack Daddy Donuts” and we do not conduct business under any other name or mark. We began selling franchises in June 2018. We operate a business of the type being franchised and currently have one (1) corporate-owned location in Pendleton, Indiana. We do not offer any franchise other than as described in this Disclosure Document.

QDD does not have a parent company or any affiliate companies.

Agent for Service of Process

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

The Business We Offer

As a QDD franchisee, you will own and operate a donut shop that serves donuts, coffee, and other associated items under the tradename “Quack Daddy Donuts.” Your primary responsibility as a franchisee will be to manage the day-to-day operations of the donut shop and provide exceptional customer service to your customers.

The Market for QDD and Competition

As a QDD franchisee, your target market will be the general public, as well as local businesses and organizations. You will compete with other independent donut shops and other franchises that serve donuts, coffee, and other associated products. Your ability to compete in this market will be largely and significantly dependent upon your management, your involvement with the Franchised Business, your financial strength, general economic conditions, geographic area and specific location.

Applicable Regulations

You must comply with all local, state, and federal laws that apply to your Franchised Business’ operations. The local and state laws and regulations may differ by location and it is your

responsibility to thoroughly investigate the applicable business and licensing rules and regulations before opening your Franchised Business. You should consult with your attorney concerning these and other laws that may affect your business.

ITEM 2 BUSINESS EXPERIENCE

Bryan Williams: Founder, Owner

Bryan Williams is one of the founders and owners of QDD and has served in this capacity since the company was founded. Additionally, Mr. Williams is a practicing attorney and owns his own law firm. He has been practicing law since 1993.

Lisa DeLey: Founder, Owner

Lisa DeLey is one of the founders and owners of QDD and has served in this capacity since the company was founded. Additionally, Ms. DeLey is a practicing attorney and has been practicing law since 1997.

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

You must pay us an Initial Franchise Fee (“Initial Fee”) of \$50,000. The Initial Fee is fully earned by us when you sign the Franchise Agreement and is not refundable except under the circumstances outlined in this Item 5 and/or in the Franchise Agreement.

We will refund you 50% of the Initial Fee if you fail to complete the Initial Training Program to our satisfaction or you fail to find an Approved Business Location within six (6) months of signing the Franchise Agreement and your Franchise Agreement is terminated as a result.

We have established a Franchisee Referral Program and encourage referrals for prospective franchisees from existing franchisees. Under the program, we offer a referral fee of \$5,000 to the existing franchisee who referred the individual; provided, however, that the individual becomes a QDD franchisee and executes the then-current Franchise Agreement. The Referral Fee will be paid within thirty (30) days from the date the new franchisee opens its franchised location. We reserve the right to modify or discontinue the Franchisee Referral Program at any time.

**ITEM 6
OTHER FEES**

Type of Fee (See Note 1)	Amount	Due Date	Remarks
Royalty Fee (See Note 2)	6% of monthly Gross Sales	Received by QDD by the 10 th day of the month	“Gross Sales” is defined as the total revenues derived by the Franchised Business from all sales, whether for cash, check, credit, or otherwise, without reserve or deduction for inability or failure to collect the same and whether such business is conducted in compliance with, or in violation of, the terms of the Franchise Agreement. Gross Sales does not include refunds to customers, credits, discounts or the amount of any sales taxes or other similar taxes that you might be required to collect, and do collect, from customers to be paid to any federal, state, or local taxing authority.
National Marketing Fund (See Note 3)	1% of Monthly Gross Sales	Received by QDD by the 10 th day of the following month	
Local Advertising (See Note 4)	2% of Monthly Gross Sales	Received by QDD by the 10 th day of the following month	You must provide us with monthly reports of your local advertising expenditures monthly on or before the 10 th day of the following month.

Additional Training (See Note 5)	Then-current Training Fee, which is currently set at \$75 per hour	As incurred	You must pay the then-current training fee before you or your employees attend the training. You will be responsible for all travel, lodging, meals, and other expenses incurred in attending the additional training.
Transfer Fee	\$10,000	At the time the transfer is approved by QDD	Payable if you sell, transfer, or assign your franchise.
Renewal Fee	25% of the then-current Initial Franchise Fee	At the time the renewal is approved by QDD	Payable if you renew your Franchise Agreement.
Audit Costs (See Note 6)	Cost of audit charges	Within ten (10) days of billing	Payable only if the audit reveals that you understated your Gross Revenues by more than 5%.
Late Fee	\$100 per day for each day the payment is overdue	As incurred	Payable if any fee or any other amount due under the Franchise Agreement is not received within 5 days after such payment is due.
Insufficient Fund Fees (See Note 7)	\$25 per attempt plus reimbursement of any costs Franchisor incurred from the bank due to the insufficient funds	As incurred	Payable by you if there are insufficient funds to collect the amounts owed to Franchisor

Interest	The lesser of the daily equivalent of 18% per annum of any overdue amount per year, or the highest rate then permitted by applicable law	As incurred	Payable if any fee or any other amount due under this Agreement is not received within 5 days after such payment is due.
Indemnification	Varies depending upon the circumstances	As incurred	You must reimburse us if we are held liable for claims resulting from your Franchised Business' operations.
Costs and Attorney's Fees	Varies depending upon the circumstances	As incurred	You must pay our costs and attorney's fees if we are successful in bringing an action against you arising out of or related to the Franchise Agreement, including but not limited to, an action to collect amounts owed to QDD.

NOTES:

Note 1. Type of Fee.

All fees are non-refundable and are payable to us, unless otherwise noted.

Note 2. Royalty Fees.

The monthly Royalty Fee must be received by us no later than the tenth (10th) day of the following month. The Royalty Fee shall be paid by electronic funds transfer ("EFT") from your bank account through an automatic debit system. During the term of the Franchise Agreement, you must provide us with a monthly report of the Gross Sales for your Franchised Business. The report shall be in a form specified by us and shall fully disclose all information requested. You also must supply documentation supporting the information disclosed on the reports upon our written request.

Note 3. National Marketing Fund.

You are required to contribute, on a monthly basis, 1% of the total monthly Gross Sales of your Franchised Business to the National Marketing Fund ("Marketing Fund") for national advertising of the QDD System. We may, in our sole discretion, increase the required monthly contribution

up to 3% of the total monthly Gross Sales of the Franchised Business with 30 days' written notice to you.

Note 4. Local Advertising

You are required to conduct local advertising and to spend a monthly minimum of 2% of the monthly Gross Sales of the Franchised Business on such advertising. You must provide us with monthly reports of your local advertising expenditures no later than the 10th day of the month. You are permitted to create and use your own marketing and advertising materials to advertise your Franchised Business; provided, however, that such marketing and advertising materials are submitted to and pre-approved in writing by us before such materials are used. We will make commercially reasonable efforts to notify you of our approval or disapproval of the proposed advertising material within 30 days after we receive all the necessary information for review. We may approve, disapprove, or revoke approval of any advertising materials for any reason and at any time and you must not use any marketing materials that we have disapproved.

Note 5. Additional Training.

We reserve the right to require you and/or your employees to participate in additional training as we deem necessary and you are required to pay the then-current Training Fee for such additional training. Currently, the training fee is set at \$75 per hour. Additionally, you will be responsible for all travel, lodging, meals, and other expenses you and/or your employees incur in attending the additional training.

Note 6. Audit Costs.

We reserve the right to examine and audit your books, records, tax returns, accounts, and such other statistical and other information or records we require you to maintain and preserve. Examinations and audits may take place without prior notice, during normal business. Such examination or audit shall be at our expense, unless it is disclosed that you understated your Franchised Business' Gross Sales by more than 5%, in which case you shall be required to reimburse us for the cost and expense of the examination or audit. In addition, you must also pay any deficiency in Royalty Fees, Advertising Fees, or other fees as disclosed by the audit or examination within 5 days following receipt of the auditor's report, plus interest calculated at the maximum rate specified by law, or in the absence of a maximum rate specified by law, 18% per annum. If the inspections and audits establish a pattern of underreporting, then we have the right to require that you employ an accounting firm approved by us to assist in maintaining and preserving your books, records, tax returns, accounts, and such other statistical and other information or records relating to the Franchised Business.

Note 7. Insufficient Funds Fees.

You must maintain a balance in your account sufficient to allow us to collect amounts owed when due. In the event there are insufficient funds to collect the amounts owed to us, you will be charged an additional fee of \$25 for each EFT attempt that was unsuccessful, plus reimbursement of any costs we incurred from the bank due to the insufficient funds. You are required to sign the EFT Form attached to the Franchise Agreement as Exhibit F and any other required documents to

authorize your bank to transfer either electronically or through some other method of payment designated by us directly to our account and to charge your account for all amounts due to us from you.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (See Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (See Note 2)	\$50,000	Lump sum	Upon signing the Franchise Agreement	QDD
Leasehold Improvements/ Buildout (See Note 3)	\$58,000 - \$100,000	As required	As incurred	Third Parties
Lease (See Note 3)	\$1,800 - \$3,500	As required	Monthly	Landlord
Opening Inventory (See Note 4)	\$4,300 - \$8,000	Lump sum	1 week before opening your Franchised Business	QDD and Third Parties
Furniture and Equipment (See Note 4)	\$67,000 - \$90,000	As required	1 week before opening your Franchised Business	Third Parties
Initial Promotional Advertising Expenses (See Note 5)	\$5,000 - \$10,000	As required	30 days before opening your Franchised Business	Third Parties
Signage	\$3,200 - \$5,000	As required	30 days before opening your Franchised Business	Third Parties
Initial Training-Travel, Lodging, Meal Expenses, etc. (See Note 6)	\$2,000 to \$5,000	As required	2 weeks before opening your Franchised Business	QDD and Third Parties
Insurance (See Note 7)	\$1,000 - \$3,000	As incurred	Monthly	Insurance Agent

Computer System and POS System (See Note 8)	\$1,000 - \$3,000	As incurred	1 month before opening your Franchised Business	Third Parties
Licenses and Permits	\$100 - \$500	Lump sum	As required	Local and State Agencies
Professional Fees and Startup Assistance	\$2,800 - \$5,000	As required	As incurred	Third Parties
Additional Funds- 3-month estimate (See Note 9)	\$40,000 - \$50,000	As incurred	As incurred	Third Parties
TOTAL	\$236,200 - \$333,000			

Note 1. Description of Expense.

All fees and expenditures represented in the above table in reference to us are non-refundable. All fees and expenditures represented in the above table to third parties, including suppliers, advertisers, various professionals, and governmental licensing agencies may be non-refundable subject to their guidelines. These estimated ranges are based on our founders' experience in owning and operating their company-owned location. You should review these figures carefully with a business advisor as part of your due diligence before deciding to purchase a QDD franchise.

Note 2. Initial Franchise Fee.

The Initial Franchise Fee is described in Item 5 and represents the consideration for a Territory as referenced in Item 12 and to enter into the Franchise Agreement. The Initial Fee is fully earned by us when you sign the Franchise Agreement and is not refundable except under the circumstances outlined in Item 5 and/or in the Franchise Agreement.

Note 3. Lease; Leasehold Improvements/Buildout.

You may either own or lease the building for your Franchised Business; provided, however, that the building is zoned commercial and the Franchised Business is legally permitted to operate on the premises. The ideal size for an QDD franchise is 1,000 square feet, but you may use a commercial space that ranges in size from 800 to 1,200 square feet.

If you lease the premises for your Franchised Business, the monthly rent will vary depending upon the geographic location, size of the building, and other economic factors and may include common area maintenance fees and real estate taxes. The cost of the required leasehold improvements will depend upon the size of the premises, location, material costs, labor costs, amount the landlord is willing to assume, and other economic factors.

In a build-to-suit lease, the landlord may include some or all the improvements, fixtures, equipment, and signs which may be factored into your lease payments. If you purchase the land and build, your estimated cost for the construction will vary depending upon the geographic location, size of the building, and other economic factors. If you build, you will likely not have to factor monthly rent into your estimated initial investment, however, you will have to factor in additional costs for financing and construction of the building, as well as, any other associated costs.

Regardless of whether you own or lease the building for your Franchised Business, you must construct or renovate, as the case may be, the premises in accordance with our standards and specifications outlined in the Operations Manual (“Manual”) or otherwise designated in writing by us. Prior to commencing such construction, renovation, or refurbishment, you must obtain all the necessary permits and certifications as may be required by law, ordinance, or regulation. If you elect, or are required by us or the Franchise Agreement, to perform construction work or significant renovations or refurbishment of the Franchised Business affecting the design, character, or appearance of it, you must obtain our prior approval before commencing such construction, renovations, or refurbishment of the Franchised Business.

We reserve the right to require you to renovate the Franchised Business every 5 years.

Note 4. Opening Inventory; Furniture and Equipment

You must purchase donut mix, donut toppings, spatulas, gloves, boxes, equipment, furniture, and other products required to open and operate your Franchised Business from designated suppliers approved by us that satisfy our written standards and specifications. The specific products you are required to purchase, and the Approved Suppliers List, are contained in our confidential Manual which you will receive upon signing the Franchise Agreement.

Note 5. Initial Promotional Advertising Expenses.

You are required to conduct a Grand Opening Marketing Campaign (“Campaign”) during the 14 days before opening your Franchised Business and during your first 30 days of operation. During the Campaign, you must spend a minimum of \$5,000 to \$10,000 on advertising; provided, however, the amount spent on the Campaign will be credited against your monthly Local Advertising requirements for the first month.

Additionally, as part of your Campaign, you are required to host a Soft Opening event for family, friends, and other members of the community at least 1 week prior to your Grand Opening.

Note 6. Initial Training - Travel, Lodging and Meal Expenses.

Two weeks prior to your Grand Opening, you and your Manager, if you choose to hire one, are required to attend and successfully complete our Initial Training Program. The training period will be 3 weeks with the first week taking place at our company-owned location or another location designated by us, and the second week taking place at your Franchised Business one

week prior to your Grand Opening. The last week of training will take place at your Franchised Business during your first full week of operation.

The cost of the Initial Training Program is included in the Initial Franchise Fee. However, you are solely responsible for paying the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, travel expenses, lodging, food, automobile rental costs and all other expenses for yourself and your employees who attend training. You and your Manager, if you choose to hire one, must complete the training program before you open your Franchised Business. See Training Program in Item 11 for more information.

Note 7. Insurance

You are solely responsible for obtaining and maintaining in full force and effect all insurance necessary to operate the Franchised Business and from such providers and in such coverages, limits and amounts as may be required from time to time by us, the Manual, or otherwise directed in writing. Such required policies and minimum amounts of coverage may be modified from time to time in our discretion upon written notice to you.

Note 8. Computer Hardware and Software

You must purchase, or lease, and install such computer hardware, modems, printers, and other computer-related equipment that meet our standards and specifications outlined in the Manual or otherwise designated by us in writing. Such computer hardware and software include the following: (i) an electronic register; (ii) point of sale software, which is currently NCR Silver; and (iii) at least one laptop capable of performing all of the necessary functions for operating the Franchised Business.

The required computer hardware and software may be modified from time to time in our discretion upon written notice to you.

Note 9. Additional Funds

The Additional Funds provide an estimate of expenses necessary for operating the Franchised Business during the initial 3 month period of operation. You may have additional expenses that are not included in the table listed above as your costs will depend upon several factors including, but not limited to, how much you follow our methods and procedures, your business acumen, skill and experience, economic conditions, market conditions, competition, location, personnel, and marketing. These estimated ranges are based on our founders' experience in owning and operating their company-owned location. You should review these figures carefully with a business advisor as part of your due diligence before deciding to purchase a QDD franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You must purchase all products necessary for the operation of the Franchised Business from distributors and suppliers designated and approved by us, which may include and be limited to, us.

You must purchase donut mix, donut toppings, equipment, furniture, and other products required for your Franchised Business from designated suppliers approved by us that satisfy our written standards and specifications. The specific products you are required to purchase and the Approved Suppliers List are contained in our confidential Manual which you will receive upon signing the Franchise Agreement. We may modify this Manual from time to time, including the Approved Suppliers List, and you must comply with all modifications and additions made to the Manual and Approved Supplier List.

You may request to obtain approval for a new supplier by submitting such request, including the basis for the request, in writing to us. Your request should include comparative pricing, the reasons the request should be approved, and a product sample if applicable. We reserve the right to require you to pay the costs we incur for testing samples and evaluating the potential new supplier.

Supplier approval is made on a case-by-case basis, and determined by us, in our sole discretion. Our criteria for evaluating potential new suppliers is pricing, quality, delivery speed and frequency, and other determining factors consistent with QDD quality standards. We will make commercially reasonable efforts to notify you of our approval or disapproval in writing of the requested supplier within 60 days of submitting all the necessary information we need to evaluate the supplier. We reserve the right to deny or revoke our approval of any supplier at any time and for any reason. You shall be notified of such changes and are responsible for immediately terminating your relationship with a supplier if the supplier's approval is revoked. Additionally, you are required to immediately cease the use and purchase of the goods and/or services if a supplier's approval is revoked.

You will be responsible for ensuring that all goods and services will continue to conform to our standards and specifications during the term of the Franchise Agreement.

Insurance

You are solely responsible for obtaining and maintaining in full force and effect all insurance necessary to operate the Franchised Business and in such coverages, limits and amounts as may be required from time to time by us, the Manual, or otherwise directed in writing, including, but not limited to:

Policy Type	Minimum Amount-Each Occurrence	Minimum Amount-Aggregate
Commercial General Liability	\$1,000,000	\$2,000,000
Personal Injury & Advertising Injury	\$1,000,000	\$2,000,000
Worker's Compensation	State minimum	State minimum
Employment Practices Liability	\$100,000	\$100,000

The required policies and minimum amounts of coverage may be modified from time to time in our discretion upon 30 days' written notice to you. Prior to opening the Franchised Business to the public, you must deliver proof of insurance coverage to us by way of a signed original certificate or certificates of all required insurance policies which contain the authorized agent's business name, address and phone number, together with a statement by the insurer that the policy will not be canceled or materially changed without at least 30 days prior written notice to us that the alteration or cancellation is being made. All insurance coverages must be underwritten by a company approved by us.

If you do not procure or maintain the required insurance, we will have the right, but not the obligation, to procure such insurance on your behalf and you will be required to pay us the cost of obtaining such insurance, plus a 10% administrative surcharge. The costs, premiums, and fees will be payable immediately upon our demand and will accrue interest thereon until paid.

Computer and Software Requirements

You must purchase (or lease) and install such computer hardware, modems, printers, and other computer-related equipment that meet our standards and specifications outlined in the Manual or otherwise designated by us in writing. The required computer hardware and software include the following: (i) an electronic register; (ii) point of sale software, which is currently NCR Silver; and (iii) at least one laptop capable of performing all of the necessary functions for operating the Franchised Business.

We reserve the right, without limitation, to modify or supplement the hardware or software required in the operation of the Franchised Business and you may be required to make and install substantial modifications to the computer system, software, or hardware during the initial term of the Franchise Agreement to efficiently operate the Franchised Business.

Cooperatives

We do not have any purchasing or distributing cooperatives.

Negotiated Prices

On occasion, we may negotiate purchase arrangements with Approved Suppliers for the benefit of our franchisees. You may receive benefits from these purchase arrangements for your use of Approved Suppliers.

Material Benefits

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

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT ("FA")	ITEMS IN DISCLOSURE DOCUMENT
(a) Site selection and acquisition/lease	Section 6	Item 11
(b) Pre-opening purchases/leases	Sections 6, 9, 10, 12, and 13	Items 6, 7 and 8
(c) Site development and other pre-opening requirements	Sections 6, 9, 10, 11, 12, and 13	Item 11
(d) Initial and ongoing training	Section 8	Items 5, 6, 7 and 11
(e) Opening	Sections 7 and 11	Items 5, 7 and 11
(f) Fees	Sections 3 and 13	Items 5, 6 and 7
(g) Compliance with standards and policies/Operating Manual	Sections 9, 10, 11, and 16	Items 8, 11 and 14

(h) Trademarks and proprietary information	Section 16	Items 13 and 14
(i) Restrictions on products/services offered	Sections 9 and 10	Items 8 and 16
(j) Warranty and customer service requirements	N/A	Not Applicable
(k) Territorial development and sales quotas	Section 5	Item 12
(l) Ongoing product/service purchases	Section 10	Item 8
(m) Maintenance and appearance requirements	Sections 6, 7, and 16	Item 11
(n) Insurance	Section 14	Item 7
(o) Advertising/Marketing	Sections 13 and 16	Items 6, 7 and 11
(p) Indemnification	Section 14	None
(q) Owner's participation/management/staffing	Sections 7 and 8	Item 15
(r) Records/reports	Section 15	Item 6
(s) Inspections/audits	Sections 12 and 15	Item 11
(t) Transfer	Section 19	Item 17
(u) Renewal	Section 2	Item 17
(v) Post-termination obligations	Sections 18 and 21	Item 17

(w) Non-competition covenants	Section 18	Item 17
(x) Dispute resolution	Section 23	Item 17
(y) Guarantee of franchisee obligations (See Note 1.)	Exhibit C	Item 15

Note 1. Guarantee of Franchisee Obligations.

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

**ITEM 10
FINANCING**

We do not offer any direct or indirect financing.

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

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

Pre-Opening Assistance

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

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

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

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

You must select a site for your Franchised Business within your Territory, subject to our approval, within 6 months after execution of the Franchise Agreement. In the event you do not have an Approved Business Location within 6 months after execution of the Agreement, we may terminate the Agreement. If the Agreement is terminated under these circumstances, we will refund you 50% of the Initial Fee that you paid to us.

We will assist you in selecting a site for your Franchised Business by reviewing the business site for compliance with our specifications and standards and approving the business site as applicable.

We will not assist you in conforming the site to applicable ordinances and/or codes. The factors that will be considered in reviewing and approving the business site are (i) visibility and signage, (ii) square footage, and (iii) proximity to other local businesses.

You are permitted to lease the Approved Business Location, but you are not permitted to execute a lease for the Approved Business Location without our prior written approval. Our approval of the form of the lease for the Approved Business Location will be conditioned on, but not limited to, the lease incorporating the terms of the Lease Rider, which is attached to the Franchise Agreement as Exhibit G. We shall have the right to accept or reject the terms of any lease for the Approved Business Location in our sole discretion. We recommend that you seek the assistance of legal counsel and a commercial real estate agent to assist you with finding suitable locations and negotiating lease provisions.

If we require you, or you elect, to perform construction work or significant renovations or refurbishment of the Approved Business Location that affects the design, character, or appearance of it, you must obtain prior approval from us before commencing any such construction work or significant renovations or refurbishment. Any such work must comply with our standards and specifications and must be completed within 7 months of the Effective Date of the Franchise Agreement.

Our approval of any location site, lease, construction work, or significant renovations or refurbishment does not warrant, represent, guarantee, or assure that your Franchised Business will be successful, profitable, or meet your expectations, and is limited solely to reviewing and confirming the business site's compliance with our specifications and standards. Other than as specifically noted here and as stated in Section 6 of the Franchise Agreement, we will not assist you in construction, remodeling or decorating the site, nor will we provide you with or deliver or install any equipment, signs, fixtures, or supplies. We will, however, provide you with a sample set of standard building plans and specifications for design, decoration, layout, equipment, furniture, fixtures and signs, and standards and specification for these items and a list of Approved Suppliers. Except for your own uses related to the construction or operation of the Franchised Business, you must not reproduce, use or permit the use of any of the design concepts, drawings, specifications, or standards without our prior approval.

We reserve the right to require you to renovate the Franchised Business every 5 years and we estimate that such renovations may require you to invest an additional \$3,500 into the Franchised Business.

The typical time between signing the Franchise Agreement and opening the Franchised Business is approximately 6 to 12 months. The factors that affect opening time include, but are not limited to, obtaining financing, training, selecting an Approved Business Location, lease negotiations, buildout, obtaining required permits, obtaining required equipment, inclement weather, and hiring personnel.

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

We will conduct a pre-opening inspection of the Franchised Business to ensure you are in compliance with our standards and specifications including confirming that all equipment,

software, and inventory are correctly set up and ready for use. In the event you do not pass the pre-opening inspection, you will have 48 hours to remedy any issues and another inspection will be conducted the following day.

You shall not open your Franchised Business to the public without written authorization from us after passing the pre-opening inspection. However, our authorization for opening the Franchised Business to the public is limited solely to reviewing and confirming compliance with our standards and specifications and does not warrant, represent, guarantee, or assure that your Franchised Business will be successful, profitable, or meet your expectations.

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

Two weeks prior to your Grand Opening, you and your Manager, if you choose to hire one, are required to attend and successfully complete our Initial Training Program. The training period will be 3 weeks with the first week taking place at our company-owned location or another location designated by us, and the second week taking place at your Franchised Business one week prior to your Grand Opening. The last week of training will take place at your Franchised Business during your first full week of operation.

The cost of the Initial Training Program is included in the Initial Franchise Fee. However, you must pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, travel expenses, lodging, food, automobile rental costs and all other expenses for yourself and your employees who attend training.

You and your Manager must complete the training program before you open your Franchised Business. See the Table at the end of this Item for more information.

5. Operations Manual (Section 9 of the Franchise Agreement).

We will loan you a complete copy of our confidential Manual that contains mandatory and suggested specifications, standards, and procedures upon execution of the Franchise Agreement. This Manual is confidential and remains our property. We may modify this Manual from time to time, but the modification will not alter your status and rights under the Franchise Agreement. The Table of Contents of the Manual is attached hereto as **Exhibit E**.

The Approved Supplier List which contains the approved suppliers that you are required to utilize in the operation of your Franchised Business is included in the Manual.

6. Grand Opening Assistance (Section 13 of the Franchise Agreement).

We will provide you with grand opening assistance during the 14 days prior to your grand opening and during your first full week of operation. You are required to conduct a Grand Opening Marketing Campaign ("Campaign") during the 14 days before opening your Franchised Business and during your first 30 days of operation. During the Campaign, you must spend a minimum of \$5,00 to \$10,000 on advertising; provided, however, that the amount spent on the Campaign will be credited against your monthly local advertising requirements for the first month.

Additionally, as part of your Campaign, you are required to host a Soft Opening event for family, friends, and other members of the community at least 1 week prior to your Grand Opening. We will assist you with coordinating your soft opening.

Post-Opening Assistance

During the operation of your Franchised Business, we will perform the following services:

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

We will periodically develop new products and services for improving and developing the QDD System. You will be required to provide any new products or services we deem mandatory and you may incur additional costs associated with providing said products or services.

2. Grand Opening Supervisor (Section 13 of the Franchise Agreement).

We will provide you with a grand opening supervisor during the first full week of operation of your Franchised Business as part of the Initial Training Program.

3. Additional Training (Section 8 of the Franchise Agreement).

We reserve the right to require you and/or your employees to participate in additional training as we deem necessary. If such additional training is required, then you must pay the then-current Training Fee for the additional training. Currently, the training fee is set at \$75 per hour. In addition, you will be responsible for all travel, lodging, meals, and other expenses you and/or your employees incur in attending the additional training.

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

We will conduct monthly post-opening inspections of the Franchised Business to determine compliance with our standards and specifications. We may conduct these inspections more often than monthly if you fail an inspection or as we deem it necessary to ensure you are in compliance with our standards and specifications.

In the event you fail an inspection, you must remedy any defects, deficiencies, or unsatisfactory conditions discovered at the Franchised Business within 48 hours after receiving written notice from us, unless the item is related to public safety, in which case the item will be required to be remedied as soon as practicable.

Advertising

We are not under any obligation to conduct advertising for the franchise system.

1. National Marketing Fund (Section 13 of the Franchise Agreement).

We have established a National Marketing Fund (“Marketing Fund”) to maximize public recognition and acceptance of the Proprietary Marks and for other benefits for the QDD franchise system and you are required to contribute on a monthly basis an amount equal to 1% of the total monthly Gross Sales of the Franchised Business. We reserve the right to increase or decrease the amount of the required contribution in our discretion; provided, however, the required contribution will not exceed more than 3% of the total monthly Gross Sales of your Franchised Business. We may, in our sole discretion, decide to terminate or suspend the Marketing Fund at any time.

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

The Marketing Fund may be used to pay the costs of preparing and producing video, audio, and printed marketing materials; administering multi-regional and national marketing programs, including, purchasing television, radio, magazine, billboard, newspaper, and other media advertising; employing advertising agencies and/or public relations firm to assist with marketing and advertising; and providing marketing materials to franchisees. The Marketing Fund may also be used to meet any and all costs reasonably related and incidental to administering the Marketing Fund and its related programs, including administrative costs. Under no circumstances will we use the Marketing Fund to solicit new franchisees.

The Marketing Fund will be accounted for separately from our other funds, but the Marketing Fund is not a trust or escrow account and we have no fiduciary obligations to our franchisees with respect to the Marketing Fund or to the monies collected. In any fiscal year, we are permitted to spend an amount greater or less than the aggregate contributions of franchisees to the Marketing Fund in that year. Any part of the Marketing Fund contributions that are not spent during the fiscal year will remain in the Marketing Fund to be used in the next fiscal year. We are under no obligation to audit the expenditures of the Marketing Fund. However, at your request, we will make available to you an annual accounting that shows how the Marketing Fund were spent for the previous year.

Currently, there is not a Franchise Advisory Council. However, we reserve the right to establish one to advise and consult with us about the establishment, modification, continuance, or other decisions or considerations affecting marketing programs and new products and services when the franchise system has expanded to 10 franchisees. In the event we establish a Franchise Advisory Council, we will have the exclusive right to determine its organizational structure and manner of operation.

2. Local Advertising (Section 13 of the Franchise Agreement).

You are required to conduct monthly local advertising and to spend a minimum of 2% of the monthly Gross Sales of the Franchised Business on such advertising. You must provide us with monthly reports of your local advertising expenditures no later than the 10th day of the following month. You are permitted to create and use your own marketing and advertising materials to advertise your Franchised Business; provided, however, that such marketing and advertising materials are submitted to and pre-approved in writing by us before the materials are used. We will use commercially reasonable efforts to notify you of our approval or disapproval of the proposed advertising material within 30 days after we receive all the necessary information for review. We may approve, disapprove, or revoke approval of any advertising materials for any reason and at any time and you must not use any marketing materials that we have disapproved.

You are required to conduct a Campaign during the 14 days before opening your Franchised Business and during your first 30 days of operation. During the Campaign, you must spend a minimum of \$5,000 to \$10,000 on advertising; provided, however, that the amount spent on the Campaign will be credited against your monthly local advertising requirements for the first month.

Computer Requirements (Section 11 of the Franchise Agreement).

You must purchase or lease and install such computer hardware, modems, printers, and other computer-related equipment that meet our standards and specifications outlined in the Manual or otherwise designated by us in writing. The required computer hardware and software include the following: (i) an electronic register; (ii) point of sale software, which is currently NCR Silver; and (iii) at least one laptop capable of performing all of the necessary functions for operating the Franchised Business.

As stated in Item 7, the estimated expense in purchasing or leasing the required computer system and any required point-of-sale system is \$1,000 to \$3,000 payable in accordance with the terms of your acquisition.

We reserve the right, without limitation, to modify or supplement the hardware or software required in the operation of the Franchised Business and you may be required to make and install substantial modifications to the computer system, software, or hardware during the initial term of the Franchise Agreement to efficiently operate the Franchised Business.

We will have the free and unfettered right to retrieve data and information related to the Franchised Business that is stored on your hard drive, either internally or externally, as we deem necessary, desirable, or appropriate and there are no contractual limits on our right to do so. The information or data that will be collected or generated includes, but is not limited to, sales data and income and expense data, including profit and losses and balance sheets.

Training (Section 8 of the Franchise Agreement).

Two weeks prior to your Grand Opening, you and your Manager, if you choose to hire one, are required to attend and successfully complete our Initial Training Program. The training period will consist of 3 weeks with the first week taking place at our company-owned location or another

location designated by us, and the second week taking place at your Franchised Business during the week prior to your Grand Opening. The final week of training will take place at your Franchised Business during the first full week of operation of the Franchised Business.

In conducting the Initial Training Program, we will utilize our Manual, videos, practical experiences and other instructional materials as we may determine from time to time. We reserve the right to modify the Initial Training Program in our sole discretion. The Initial Training Program will be taught by Bryan Williams and/or other corporate employees with at least 1 year of experience in the subjects they are teaching.

The following tables provide an overview of the current training program:

TRAINING PROGRAM: Day to Day Operations			
Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Daily Operations	0	60	Pendleton, IN and Franchised Business
Opening and Closing	0	20	Pendleton, IN and Franchised Business
Point of Sale Operation	0	5	Pendleton, IN and Franchised Business
Setting Up Payroll	0	5	Pendleton, IN and Franchised Business
Employee Scheduling	0	5	Pendleton, IN and Franchised Business
Scheduling Deliveries	0	5	Pendleton, IN and Franchised Business
Policies and Procedures	0	5	Pendleton, IN and Franchised Business
TOTAL HOURS	0	105	

ITEM 12 TERRITORY

During the initial term of the Franchise Agreement, you are granted the right to operate a Franchised Business within a designated exclusive Territory. The Territory will be designated by a radius that contains a population of approximately 40,000 persons or city limits in cities with a population of approximately 40,000 residents. The Territory will be defined in Exhibit A to the Franchise Agreement.

You must select a site for your Franchised Business within your Territory, subject to our approval, within 6 months after execution of the Franchise Agreement. In the event you do not have an Approved Business Location within 6 months after execution of the Agreement, we may terminate the Agreement. If the Agreement is terminated under these circumstances, we will refund you 50% of the Initial Fee that you paid to us.

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

You do not receive the right to acquire additional franchises within your area.

You shall not change the Approved Business Location without our prior written authorization. We reserve the right to approve or deny your relocation request in our discretion based upon, without limitation, our own business judgment, your compliance with the Franchise Agreement, and the proposed new location. In the event your relocation request is approved, you shall pay any costs incurred by us in connection with your relocation.

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

Except as otherwise provided, we retain the right to:

- Operate and grant others the right to operate a QDD franchise anywhere outside of your Territory;
- Develop, operate and grant others the right to operate any future concepts that are not included within the System at any location anywhere;
- Use and license the use of other proprietary marks or methods which are not a part of the System at any location anywhere;

- Operate any business included in any business acquisition at any location outside of your Territory regardless of whether such business offers similar or the same goods and services as QDD and whether under development or already in operation; and
- Distribute or license the manufacture or distribution of products through other channels of distribution, including, but not limited to the Internet, outside of your Territory regardless of whether such products are authorized for QDD franchises or are distributed or licensed under the Proprietary Marks.


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

ITEM 13 TRADEMARKS


We own the mark QUACK DADDY DONUTS and we hereby grant you the right to use the marks and any other proprietary marks, trade names, logos, and the like (“Proprietary Marks”) that we require you to use in the operation of the Franchised Business. You shall not represent in any manner that you have acquired any ownership rights in the Proprietary Marks, and you shall not use any of the Proprietary Marks or any marks, names, or indicia which are, or may be confusingly similar, in your own entity or business name. You must obtain a fictitious or assumed name registration if required by your state or local law. All goodwill associated with the QDD System and identified by the Proprietary Marks shall inure directly and exclusively to our benefit.

You are prohibited from committing any act of infringement or contesting the validity of our ownership of the Proprietary Marks, or aiding others in infringing or contesting, either directly or indirectly, our right, title, and interest in the Proprietary Marks.

The following Marks are federally registered with the U.S. Patent and Trademark Office (“USPTO”):

Service Mark	Registration Number	Registration Date	Register
QUACK DADDY DONUTS	5247141	July 18, 2017	Principal
	5684810	February 26, 2019	Principal

We have applied for federal registration of the following Marks with the USPTO for use in the franchise system:

Service Mark	Serial Number	Application Date
	88014982	June 26, 2018

Because this application is pending with the USPTO, the Mark has not been federally registered. As such, we do not have a federal registration for one of our principal trademarks. Therefore, this trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are currently no effective determinations of the USPTO, the trademark administrator of any state, or any court, nor is there any pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Proprietary Marks which may be relevant to its use in any state. We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

You must only use the Proprietary Marks in such manner authorized by us, which we may modify from time to time in our sole discretion. Your right to use the Proprietary Marks is derived solely from the Franchise Agreement and is limited to the operation of the Franchised Business pursuant to, and in compliance with, the Agreement. You are prohibited from using the Proprietary Marks in connection with offering, selling, or advertising any unauthorized products or services. Any unauthorized use of the Proprietary Marks by you shall be considered a breach of the Franchise Agreement and shall constitute an infringement of our rights therein. Your right to use the Proprietary Marks does not extend beyond the termination or expiration of the Franchise Agreement.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We have not registered any patents, nor do we have any rights in, or licenses to, any patents that are material to the Franchised Business.

We have no patents, pending patent applications, or registered copyrights that are material to the purchase of a franchise. However, we claim copyright interest in our written materials and other materials that are critical to the franchise system, including, but not limited to, our Manual, training material, advertising material, website, and other publications. The methods, processes, skills, know-how, techniques, information, trade practices, and other proprietary products and information relating to the development and operation of the Franchised Business is proprietary, confidential, and constitutes our trade secrets (“Confidential Information”).

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

Your employees must sign, the Confidentiality, Non-Disclosure, and Non-Competition Agreement attached to the Franchise Agreement as Exhibit D, or an agreement that is substantially similar to Exhibit D and is approved by us.

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

You are required at all times to faithfully, honestly, and diligently perform your contractual obligations, fully exploit your Franchise Agreement rights, and devote your time and best efforts to the operation, promotion and enhancement of your Franchised Business; provided, however, that you may hire a designated manager (the “Manager”) to perform the day-to-day operations of the Franchised Business. To operate the Franchised Business, we require that you form a legal entity (i.e. a corporation, limited liability company or other business entity).

Your Franchised Business shall only be operated by you or your Manager, if you choose to hire one, after successfully completing the Initial Training Program to our satisfaction. You must notify us in writing of the Manager’s identity at the time of hire and shall subsequently notify us of any changes in their respective employment status. If at any time a new Manager is employed, such Manager must complete the Initial Training Program to our satisfaction within 30 days of hiring. The Manager is not required to have an ownership interest in the franchise.

As a condition of entering into the Franchise Agreement, each owner, officer, member, and director of the Franchised Business must execute a personal guaranty of the obligations under the Agreement and agree to be personally bound by, and personally liable for the breach of every provision of the Agreement, including the confidentiality provisions and restrictions on owning interests in, or performing services for, competitive businesses. The Personal Guaranty is attached as Exhibit C to the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer services and products that are approved by us and only from your Approved Business Location. We have the right, without limit, to modify, add, or enhance the types of authorized products and services you are required to offer and sell. We have the right to set maximum prices for the authorized products and services that you are required to sell, and you are prohibited from offering the products and services for more than the maximum price.

You are prohibited from offering any unauthorized products or services from your Approved Business Location, from within your Territory, or under the Proprietary Marks. In the event you offer or sell any unauthorized products or services from your Approved Business Location, from within the Territory, or under the Proprietary Marks, we may terminate the Franchise Agreement.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE AGREEMENT (FA)	SUMMARY
(a) Length of the franchise term	Section 2	The Initial Term of the Franchise Agreement is 10 years.
(b) Renewal or extension of the term of the franchise	Section 2	Provided certain conditions are met, you will have the option to renew the Franchise Agreement for an additional 10-year period. In the event you renew your Franchise Agreement, you will be required to sign the then-current franchise agreement which may contain terms and conditions that are materially different from those in the original Agreement.
(c) Requirements for franchisee to renew or extend	Section 2	The conditions for renewal require that you: i) provide us with at least 12 months' written notice before expiration of the Franchise Agreement of your intent to renew; ii) are not in default or in violation of the Agreement or any other agreement with us; iii) have paid all monetary obligations owed to us; iv) have completed all required additional training; v) sign the then-current standard franchise agreement which may contain items and conditions that are materially

		different from those in the original Agreement; and vi) pay a Renewal Fee equal to 25% of the then-current Initial Franchise Fee. Unless otherwise approved by us, your failure or refusal to execute any agreements, instruments, and/or documents we require in connection with such renewal within 30 days after delivery to you shall be deemed an election not to renew the Agreement.
(d) Termination by franchisee	Section 20	You may not terminate the Franchise Agreement prior to the expiration of its term, except as provided by law.
(e) Termination by franchisor without cause	N/A	We may not terminate the Franchise Agreement without good cause.
(f) Termination by franchisor with cause	Section 20	We may terminate the Franchise Agreement only if you default.
(g) "Cause" defined- curable defaults	Section 20	A curable default is a default in the performance of any of the terms of the Franchise Agreement, other than those calling for immediate termination under the Agreement.
(h) "Cause" defined- non-curable defaults	Section 20	The following occurrences shall constitute non-curable defaults: i) you fail to select a site and receive approval of such site within 6 months of the Effective Date of the Franchise Agreement; ii) you make materially false statements or reports in connection with acquiring the

		<p>Franchised Business or the Agreement; iii) you fail to operate the Franchised Business for 6 consecutive days, unless such failure to operate is due to an event beyond your control; iv) you use the Proprietary Marks in an unauthorized manner; v) you disclose any Confidential Information; vi) you violate the in-term covenant not to compete; vii) an inspection of the Franchised Business' books and records establishes a pattern of underreporting of Gross Sales; viii) you receive more than 3 valid notices of default of the Agreement in the same 12-month period, regardless of whether previous defaults have been cured; ix) you are convicted of any felony or crime of moral turpitude regardless of the nature thereof, or any other crime or offense relating to the operation of the Franchised Business; x) you engage in any conduct which reflects materially and unfavorably upon the operation of the Franchised Business or the franchise system generally; and xi) you or the Franchised Business are involved in bankruptcy related events.</p>
(i) Franchisee obligations on termination/non-renewal	Section 21	<p>You must comply, at your expense, with each of the following post-termination obligations: i) immediately cease to operate the Franchised Business; ii) not directly or indirectly represent or give the impression to the</p>

		<p>public that you were a present or former franchisee or were in anyway connected to the franchise system; iii) pay all amounts due to us, including actual and consequential damages, costs, and expenses incurred by us as a result of the default, within 5 days of the termination of the Agreement; iv) return the Manual, other proprietary information, and all trade secrets and confidential materials owned or licensed by us; v) return or discontinue use of all forms, advertising materials, marks, devises, insignias, slogans, designs, signs, trade dress, and any computer systems including proprietary software and/or hardware; vi) cease to use any methods, procedures, or techniques associated with the franchise system in which we have a proprietary right, title, or interest; vii) discontinue the use of all copyrights, Proprietary Marks, trade names and patents associated with the operation of the Franchised Business; viii) take such action as may be necessary to cancel any fictitious, trade, or assumed name or equivalent registration that contains any Proprietary Marks or any variations thereof, and transfer and assign all telephone numbers to us; and ix) strictly comply with all other provisions of the Franchise Agreement pertaining to post-termination obligations, including without</p>
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		limitation, the post-term covenant not-to-compete, the obligation of non-disclosure of Confidential Information, and the obligation of non-solicitation of our employees.
(j) Assignment of contract by franchisor	Section 19	We have the right to assign the Franchise Agreement and any or all its rights, obligations and privileges to any other person, firm or corporation without your prior consent. There is no restriction on our right to do so.
(k) “Transfer” defined		A transfer, assignment, or division, whether voluntarily, involuntarily or by operation of law, of any interest in the Franchise Agreement, any ownership interest in the business entity that owns and operates the Franchised Business, or a transfer of any of your rights or obligations under the Agreement.
(l) Franchisor approval of transfer by franchisee	Section 19	You may not transfer the Franchised Business without our prior approval which may be granted or withheld in our discretion.
(m) Conditions for franchisor approval of transfer	Section 19	The conditions for our approval of a transfer, which may be granted or withheld in our discretion, are: i) you first notified us in writing of any bona fide proposed transfer so that we could exercise our right of first refusal; ii) the transferee meets the then-current standards and requirements to become a franchisee; iii) transferee

		<p>executes the then-current form of the franchise agreement; iv) transferee completes the Initial Training Program to our satisfaction; v) you pay all amounts due to us and cure all breaches of the Franchise Agreement and any other agreement between you and us; vi) you have complied with all material obligations under the Franchise Agreement or any other agreement or arrangement with us; and vii) you or the transferee pays the transfer fee.</p>
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 19	<p>We have the right to match any offer to purchase the Franchised Business. All offers must first be submitted to us in writing and must set forth a complete description of all terms, conditions and fees of the proposed transfer. Within 60 days after our receipt of such notice, we may exercise our right of first refusal and accept the offer to purchase the Franchised Business upon the terms and conditions specified in the notice.</p>
(o) Franchisor's option to purchase franchisee's business	Section 21	<p>We have the right, but not the obligation, to purchase some or all the products and supplies at the Franchised Business and the equipment or signs which bear the Proprietary Marks at fair market value within 30 days of the termination date or the expiration date of the Agreement.</p>

(p) Death or disability of franchisee	Section 19	Upon the death or incapacity of an owner of the franchise, his or her executor, administrator, conservator or other personal representative must transfer the interest in the franchise to a third-party approved by us within a reasonable time not to exceed 6 months from the date of death or incapacity or we may terminate the Franchise Agreement.
(q) Non-competition covenants during the term of the franchise	Section 18	You, your owners (and members of their immediate families) and your officers, directors, executives, members, and managers shall not, either directly or indirectly, as a proprietor, partner, investor, lender, shareholder, director, officer, member, manager, employee, principal, agent, representative, advisor, franchisor, franchisee, consultant or otherwise, divert any business or customer of the Franchised Business to a Competitive Business (defined as a business that derives 20% or more of its annual gross sales from the sale of donuts), to engage in activity that causes injury to the Proprietary Marks or the franchise system, or to own or work for or otherwise engage in any Competitive Business.
(r) Non-competition covenants after the franchise is terminated or expired	Section 18	For a period of 3 years commencing upon the date of: (a) a transfer permitted under the Franchise Agreement; (b) expiration of the Franchise Agreement; (c) termination of

		<p>the Franchise Agreement (regardless of the cause for termination); (d) a final order of a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of the covenants not to compete or (e) any or all of the foregoing, you, your owners (and members of their immediate families) and your officers, directors, executives, and managers are prohibited from either directly or indirectly, though, on behalf of, or in conjunction with any person or legal entity i) own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located at the Approved Business Location or within the Territory; or ii) solicit or influence any customers, employees, or business associates to compete with us or terminate their relationship with us.</p>
(s) Modification of the Franchise Agreement	Section 25	No amendment, change, or variance from the Franchise Agreement shall be binding upon either you or us except by mutual written agreement.
(t) Integration/merger clause	Section 27	Only the terms of the Franchise Agreement and other related written agreements are binding, subject to state law. Any other representations or promises outside of the Franchise

		Disclosure Document and Agreement may not be enforceable. No claim made in any Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
(u) Dispute resolution by arbitration or mediation	Section 23	Except for certain claims outlined in the Franchise Agreement, all controversies, disputes, claims, causes of action and/or alleged breaches or failures to perform obligations arising out of or related to the Agreement; the relationship of the parties; the validity of the Agreement; or any aspect of the Franchised Business (collectively, "Claims") shall first be submitted by the parties to non-binding mediation. If the parties first submit any Claims to mediation, and such Claims are unable to be resolved through mediation, then either party may initiate arbitration.
(v) Choice of forum	Section 23	If any Claims are submitted to arbitration, such arbitration shall only be brought in Indianapolis, Indiana. Either party may file for an injunction in state or federal court (subject to applicable State law.)
(w) Choice of Law	Section 23	Subject to state law, Indiana law applies, except that disputes over the Proprietary Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec.

		1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.
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ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise, control or manage the franchisor, or invest in the franchisor.

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.

The below tables provides the average monthly amount of sales, the highest monthly amount of sales, and lowest monthly amount of sales for our 1 company-owned location in Pendleton, Indiana. The results achieved by the company-owned location provided in this table may not be typical for your area. There is no assurance you will do as well. If you rely upon these figures, you must accept the risk of not doing as well.

Period	Average Monthly Gross Sales	Highest Monthly Gross Sales	Lowest Monthly Gross Sales	Median Monthly Gross Sales
January 1, 2019 to December 31, 2019	\$20,037	\$26,887 (June 2019)	\$11,543.30 (January 2019)	\$20,819.69

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System Wide Outlet Summary
For 2017 - 2019

SYSTEM WIDE OUTLET SUMMARY				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2017	0	0	0
	2018	0	0	0
	2019	0	0	0
Company Owned Outlets	2017	1	1	0
	2018	1	1	0
	2019	1	1	0
Total Outlets	2017	1	1	0
	2018	1	1	0
	2019	1	1	0

Table No. 2
Transfers of Outlets from Franchisees to New Owners for 2017 - 2019

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS		
State	Year	Number of Transfers
Total All States	2017	0
	2018	0
	2019	0

Table No. 3
Status of Franchised Outlets
For 2017 - 2019

STATUS OF FRANCHISED OUTLETS								
State	Year	Outlets at Start of the Year	Outlets Opened	Terminated	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at the End of the Year
Total All States	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0

Table No. 4
Status of Company Owned Outlets
For 2017 - 2019

STATUS OF COMPANY OWNED OUTLETS							
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Indiana	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
TOTAL	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1

Table No. 5
Projected Openings
In the Next Fiscal Year

PROJECTED OPENINGS			
State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Indiana	0	1	1
Total	0	1	1

Exhibit C to this Disclosure Document is a list of our franchises and outlet owners as of December 31, 2019, and the addresses and telephone numbers of their QDD franchises.

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

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

No franchisees have signed confidentiality clauses during our last three (3) fiscal years.

ITEM 21 FINANCIAL STATEMENTS

We have not been offering franchises for 3 or more fiscal years and do not have all financial statements as required by this item. Such information will be shared as it becomes available. Attached to this Disclosure Document as **Exhibit F** is our unaudited balance sheet opinion for the fiscal years ending December 31, 2018 and 2019. The Franchisor's fiscal year end date is December 31.

ITEM 22 CONTRACTS

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

Exhibit A – List of State Administrators

Exhibit B – Franchise Agreement

Exhibit A – Territory and Approved Business Location

Exhibit B – Ownership Verification

Exhibit C – Personal Guaranty

Exhibit D – Sample Confidentiality, Non-Disclosure and Non-Competition Agreement

Exhibit E – Security Agreement

Exhibit F – Electronic Funds Transfer Form

Exhibit G – Lease Rider

Exhibit C – List of Current Franchisees

Exhibit D -- List of Franchisees Who Have Left the System

Exhibit E – Operating Manual-Table of Contents

Exhibit F – Financial Statements

Exhibit G – List of Agents for Service of Process

Exhibit H – State Specific Disclosures and State Specific Addenda to Agreements

Exhibit I – Form of Franchise Compliance Certification

Exhibit J -- Disclosure Document Receipt (last page of Disclosure Document)

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
California	
Hawaii	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

ITEM 23 RECEIPT

Exhibit J to this Disclosure Document contains two (2) receipt pages by which you acknowledge your receipt of this Disclosure Document with an Issuance Date of June 26, 2020. One of the copies is for your records. The other one must be signed, dated and returned to us to the attention of Bryan Williams at 106 W. State St, Pendleton, IN 46064 or by email at franchiseinfo@quackdaddydonuts.com.



EXHIBIT A
LIST OF STATE ADMINISTRATORS

State offices administering franchise disclosure laws:

<p>California: Franchise Division Department of Corporations 1515 K Street Sacramento, California 95814-4052 (916) 445-7205</p>	<p>North Dakota: Franchise Division Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, North Dakota 58505 (701) 328-2910</p>
<p>Hawaii: Franchise & Securities Division State Department of Commerce P.O. Box 40 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>Oregon: Corporate Securities Section Department of Insurance & Finance Labor & Industries Building Salem, Oregon 97310 (501) 378-4387</p>
<p>Illinois: Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>Rhode Island: Franchise Office Division of Securities 233 Richmond Street, Suite 232 Providence, Rhode Island 02903 (401) 222-3048</p>
<p>Indiana: Franchise Division Office of Secretary of State 302 West Washington Street Room E111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>South Dakota: Franchise Office Division of Securities 910 East Sioux Avenue Pierre, South Dakota 57501 (605) 773-4013</p>
<p>Maryland: Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>	<p>Virginia: Franchise Office State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051</p>
<p>Michigan: Consumer Protection Division Franchise Section P.O. Box 30213 Lansing, Michigan 48909 (517) 373-7117</p>	<p>Washington: The Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760</p>

Minnesota: Franchise Division Department of Commerce 85 7 th Place East, Suite 600 St. Paul, Minnesota 55101 (651) 296-4026	Wisconsin: Franchise Office Wisconsin Securities Commission P.O. Box 1768 Madison, Wisconsin 53701 (608) 266-3364
New York: Franchise & Securities Division State Department of Law 28 Liberty St., 21st Floor New York, New York 10005 (212) 416-8211	

The Address of the United States Federal Trade Commission is:
Federal Trade Commission
Washington D.C. 20580



EXHIBIT B
FRANCHISE AGREEMENT

[Separate Cover.]



QUACK DADDY DONUTS, LLC
An Indiana Limited Liability Company



106 W State St
Pendleton, IN 46064
765-649-1144
franchiseinfo@quackdaddydonuts.com

Unit Franchise Agreement



Franchisee: _____

Date: _____

Franchised Location: _____

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EXHIBITS

Exhibit A – Territory and Approved Business Location

Exhibit B – Ownership Verification

Exhibit C – Personal Guaranty

Exhibit D – Security Agreement

Exhibit E – Sample Confidentiality, Non-Disclosure and Non-Competition Agreement

Exhibit F – Electronic Funds Transfer Form

Exhibit G – Lease Rider

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is effective as of _____, _____ (“Effective Date”) by and between Quack Daddy Donuts, LLC, an Indiana Limited Liability Company (“Franchisor”) and _____, a _____ (“Franchisee”).

RECITALS

Franchisee hereby acknowledges receipt of the Quack Daddy Donuts, LLC Franchise Disclosure Document, including a copy of this Franchise Agreement (“Agreement”), containing all of its material terms, at the earlier of: (i) fourteen (14) calendar days before signing this Agreement or any related agreement(s); or (ii) fourteen (14) calendar days before any payment was made by Franchisee to Franchisor.

Franchisor grants qualified persons and business entities a franchise for the establishment and operation of a Quack Daddy Donuts franchise (“Franchised Business”), a business that offers and sells donuts, coffee, and various donut-related merchandise under the tradename, “Quack Daddy Donuts.” The proprietary training and programs for establishing and operating a franchise; the Confidential Operations Manual; sample contracts, agreements, and other template documents; training curriculum; and any other information, tangible and intangible, whether spoken, printed, electronic or any other form or medium provided to Franchisee by Franchisor during the Term of this Agreement (the “System”) may be improved, further developed, or otherwise modified by Franchisor in its sole discretion from time to time.

Franchisee hereby acknowledges that Franchisor owns the System for Quack Daddy Donuts and Franchisee aspires to obtain a franchise to operate the Franchised Business utilizing the concepts, methods, and techniques of the System, which Franchisor may in its sole discretion modify from time to time. Franchisee has submitted an application and other pertinent information, including any financial information requested, to Franchisor, which fully and truthfully set forth the information therein, and Franchisee has further advised Franchisor of all persons who will hold interests in the franchise. Franchisee acknowledges that Franchisor is relying upon such information, including the business skill, financial capacity, and character of Franchisee and its principals, in granting Franchisee a license to operate a Quack Daddy Donuts franchise.

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

Franchisee acknowledges that success or failure of its Quack Daddy Donuts franchise will depend in large part upon its skills and abilities, competition from other businesses, and other economic and business factors.

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

SECTION 1 GRANT OF LICENSE

Upon the terms and conditions of this Agreement, Franchisor hereby grants Franchisee the right to use the Proprietary Marks and System and to operate a Quack Daddy Donuts franchise. Franchisee agrees to operate the Franchised Business in accordance with the System and this Agreement and solely at the Approved Business Location. In order to operate a Quack Daddy Donuts franchise, Franchisee is required to form a legal entity (i.e. a corporation, limited liability company or other business entity) and complete the Ownership Verification Form attached as **Exhibit B**. Franchisee shall not open the Franchised Business for business to the public without written authorization from the Franchisor or to change the location of the Franchised Business thereafter without prior written authorization from the Franchisor.

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

As a condition of entering into this Agreement, Franchisee's owners, officers, members, and directors must execute a personal guaranty in favor of Franchisor in the same form, or substantially similar form, as the personal guaranty attached to this Agreement as **Exhibit C**, as well as, execute a Security Agreement in favor of Franchisor in the same form, or substantially similar form, as the Security Agreement attached to this Agreement as **Exhibit D**.

SECTION 2 TERM AND RENEWAL

A. Initial Term.

The term of this Agreement shall begin on the date first set forth above and shall expire on the date that is ten (10) years after the Effective Date (the "Term").

B. Renewal Term.

Upon expiration of this Agreement, Franchisee shall have the option to renew the Agreement for an additional ten (10) year period; provided, the following conditions for renewal are met:

- Franchisee provides Franchisor with at least twelve (12) months' written notice before expiration of the Franchise Agreement of its intent to renew;
- Franchisee is not in default or in violation of this Agreement or any other agreement between Franchisor and Franchisee;
- Franchisee has paid all monetary obligations owed to Franchisor;
- Franchisee has completed all required additional training;
- Franchisee signs the then-current standard franchise agreement which may contain items and conditions that are materially different from those in this Agreement; and
- Franchisee pays a Renewal Fee equal to twenty-five percent (25%) of the then-current Initial Franchise Fee.

If Franchisee does not comply with the conditions for renewal, Franchisee agrees that Franchisor shall be deemed to have good cause to refuse to renew the Agreement. Furthermore, Franchisee's failure or refusal to execute any agreements, instruments, and/or documents required by Franchisor in connection with such renewal within thirty (30) days after delivery to Franchisee, unless otherwise approved by Franchisor, shall be deemed an election by Franchisee not to renew the Agreement.

SECTION 3 INITIAL FRANCHISE FEE

In consideration of the grant of the franchise by Franchisor, Franchisee agrees to pay an Initial Franchise Fee of Fifty Thousand Dollars (\$50,000.00) (the "Initial Fee"), which is payable in full upon execution of this Agreement. The Initial Fee is fully earned by the Franchisor when Franchisee signs the Franchise Agreement and it is only refundable in the event Franchisee does not satisfactorily complete the Initial Training Program and Franchisor terminates this Agreement as a result, or if Franchisee does not select an acceptable Approved Business Location within six (6) months of signing the Agreement and Franchisor terminates this Agreement as a result. If the Agreement is terminated under these circumstances, Franchisor will refund Franchisee fifty percent (50%) of the Initial Fee that it paid to Franchisor.

SECTION 4 FRANCHISEE REFERRAL PROGRAM

Franchisor has established a Franchisee Referral Program and encourage referrals for prospective franchisees from existing franchisees. Under the program, Franchisor offers a referral fee of Five Thousand Dollars (\$5,000.00) to the existing franchisee who referred the individual; provided, however, that the individual becomes a Quack Daddy Donuts franchisee and executes the then-

current franchise agreement. The Referral Fee will be paid within thirty (30) days from the opening date of the new franchise.

Franchisor reserves the right to modify or discontinue the Franchisee Referral Program at any time.

SECTION 5 TERRITORY

A. Territory

During the Term of this Agreement, and provided Franchisee is not in default of this Agreement or any other agreement between Franchisor and Franchisee, Franchisor shall not open for business to the public, grant a franchise, license or otherwise authorize any other person or entity to open for business to the public a Quack Daddy Donuts within the area designated on the attached **Exhibit A** (the “Territory”).

B. Rights Reserved

Except as otherwise provided, Franchisor retains the right to:

- Operate and grant others the right to operate a Quack Daddy Donuts franchise anywhere outside of Franchisee’s Territory;
- Develop, operate and grant others the right to operate any future concepts that are not included within the System at any location anywhere;
- Use and license the use of other proprietary marks or methods which are not a part of the System at any location anywhere;
- Operate any business included in any business acquisition outside of your Territory regardless of whether such business offers similar or the same goods and services as Quack Daddy Donuts, whether such business is under development or already in operation; and
- Distribute or license the manufacture or distribution of products through other channels of distribution, including but not limited to the Internet, outside of Franchisee’s Territory regardless of whether such products are authorized for Quack Daddy Donuts’ franchises or are distributed or licensed under the Proprietary Marks.

SECTION 6 SITE SELECTION

A. Approved Business Location

Franchisee must select a business site within Franchisee's Territory, subject to the Franchisor's approval, within six (6) months after execution of this Agreement. In the event Franchisee does not have an Approved Business Location within six (6) months after execution of this Agreement, Franchisor may terminate this Agreement. If the Agreement is terminated under these circumstances, Franchisor will refund Franchisee fifty percent (50%) of the Initial Fee that it paid to Franchisor.

The Franchisor will assist Franchisee in selecting a business site by reviewing and approving such site, but Franchisee acknowledges and agrees that Franchisor's assistance and approval of the business site is limited solely to reviewing and confirming compliance with the Franchisor's standards and specifications and Franchisor is not responsible for supplying Franchisee with prospective site locations. The factors that will be considered in reviewing and approving the business site are (i) visibility and signage; (ii) square footage; and (iii) proximity to other local businesses. Franchisor will not assist Franchisee in conforming the site to applicable ordinances and/or codes.

Franchisee is permitted to lease the Approved Business Location, but Franchisee is not permitted to execute a lease for the Approved Business Location without Franchisor's prior written approval. Franchisor's approval of the form of the lease for the Approved Location will be conditioned on, but not limited to, said lease incorporating the terms of Franchisor's form of Lease Rider, which is attached hereto as **Exhibit H**. Franchisor shall have the right to accept or reject the terms of any lease for the Approved Business Location in our sole discretion.

Franchisee acknowledges and agrees that Franchisor's approval of any location site or lease does not warrant, represent, guarantee, or assure that Franchisee's Quack Daddy Donuts will be successful, profitable, or meet Franchisee's expectations. Franchisee understands and agrees that the suitability of a location and the success of the Franchised Business depends upon many factors outside of the Franchisor and Franchisee's control, including, but not limited to, such factors as interest rates, unemployment rates, demographic trends, and other economic factors, but mainly depends upon the Franchisee's efforts and abilities in operating the Franchised Business.

B. Construction and Build-Out of the Approved Business Location

Franchisee, at its expense, must start and complete in a timely fashion, and to Franchisor's satisfaction, the construction or renovation, as the case may be, of the Franchised Business in accordance with the Franchisor's standards and specifications. Franchisee agrees to construct or renovate the Franchised Business in a good and workmanlike manner, in conformity with all applicable governmental requirements, and in accordance with the plan and specifications approved by the Franchisor.

Prior to commencing such construction, renovation, or refurbishment, Franchisee must obtain all of the necessary permits and certifications as may be required by law, ordinance, or regulation. If Franchisee elects, or is required by the Franchise Agreement or Franchisor, to perform construction work or significant renovations or refurbishment of the Franchised Business affecting the design, character, or appearance of the Franchised Business, Franchisee will obtain prior approval from Franchisor for any such construction work or significant renovations or refurbishment. Any construction work must comply with the Franchisor's standards and specifications.

Franchisor's review and approval under this Section 6(B) is limited solely to confirming Franchisee's compliance with Franchisor's standards and specifications. Except for Franchisee's own uses related to its construction or operation of the Franchised Business, Franchisee must not reproduce, use or permit the use of any of the design concepts, drawings, or standards and specifications without the prior approval of Franchisor.

Franchisee agrees that Franchisee, and not Franchisor, is responsible for:

- Ensuring that any design, working drawings, specifications, construction, renovation, or refurbishment complies with any applicable law, including any requirements relating to disabled persons;
- Any errors or omissions;
- Discrepancies (of any nature) in any drawings or specifications; and
- Causing the discharge or release of record of any and all liens which may be recorded or perfected or which may otherwise attach to all or any portion of the Franchised Business as result of work done by or for the Franchisee within ten (10) days after notification of the existence of any such lien.

All construction, renovation, or refurbishment must be completed within seven (7) months of signing this Agreement, unless the Franchisor consents otherwise in writing. Franchisee may be required to renovate or upgrade the Approved Business Location from time to time when Franchisor deems such renovations or upgrades necessary or appropriate and at Franchisee's own expense. However, Franchisor will not require Franchisee to renovate or upgrade the Franchised Business more than once every five (5) years.

C. Relocation of the Approved Business Location

Franchisee shall operate the Franchised Business solely at the Approved Business Location. Franchisee shall not change the location of the Franchised Business without prior written authorization from the Franchisor. Franchisor reserves the right to approve or deny the relocation request in its discretion. Franchisee acknowledges and agrees that Franchisor's consent or denial of the relocation request will be based on its own business judgment, Franchisee's compliance with this Agreement, and Franchisee's proposed new location. In addition, Franchisee must pay

any costs incurred by Franchisor in connection with the relocation including but not limited to reviewing the request.

D. Destruction or Damage to the Approved Business Location

If a cause other than a voluntary act of Franchisee destroys or damages the Franchised Business so that it cannot continue to operate, Franchisee shall repair and restore the Franchised Business to Franchisor's then-existing specifications, subject to the applicable provisions of any lease for the Franchised Business. The Franchised Business shall be open and operating no later than six (6) months from the date of the destruction or damage or Franchisor may terminate this Agreement.

SECTION 7
OPENING AND OPERATION OF THE FRANCHISED BUSINESS

A. Opening of the Franchised Business

Franchisee shall not open the Quack Daddy Donuts franchise for business to the public without written authorization from the Franchisor after the Franchisor has conducted a pre-opening inspection. Franchisee must open the Franchised Business to public within one (1) year after executing this Franchise Agreement, unless otherwise authorized in writing by the Franchisor. In the event Franchisee fails to open the Franchised Business within the specified time period, it shall constitute a default and Franchisor may terminate this Franchise Agreement if such default is not cured within thirty (30) days' of Franchisee receiving a written default notice.

B. Operation of the Franchised Business

Franchisee shall operate the Franchised Business in accordance with the standards, specifications, and procedures set forth in the Operations Manual (the "Manual") and shall comply with any modifications to the standards, specifications, and procedures in the Manual, or as otherwise directed in writing by the Franchisor. The Franchised Business shall only be operated by Franchisee, or its designated manager (the "Manager") if it chooses to hire one, upon successfully completing the Initial Training Program to the satisfaction of the Franchisor. Franchisee shall notify Franchisor in writing of the Manager's identity at the time of hire and shall subsequently notify Franchisor of any changes in the Manager's employment status. If at any time a new Manager is employed, such Manager must complete the Initial Training Program to Franchisor's satisfaction within thirty (30) days of hiring.

Franchisee is solely responsible for recruiting, hiring, firing, training, and supervising employees to operate the Franchised Business and the terms and conditions of their employment. Franchisor may provide Franchisee with standardized interviewing and hiring information, but Franchisee is not obligated to use said information in making its hiring decisions. Franchisee acknowledges and agrees that any material or information related to hiring employees is for informational purposes

only and Franchisee acknowledges that the employees of the Franchised Business will only be employees of Franchisee and are not employees or agents of the Franchisor.

C. Franchisor's Step-In Rights

If, in the Franchisor's judgment, the Franchised Business is not being managed properly, the Franchisor may, but need not, assume the Franchised Business' management. All funds from the Franchised Business' operation while the Franchisor assumes its management will be kept in a separate account and all of the Franchisor's expenses will be charged to this account, including all travel, food, and lodging expenses incurred in the course of providing such services. In addition to the Royalty Fee due under this Agreement, Franchisor may charge Franchisee a reasonable management fee designated by the Franchisor, plus the Franchisor's direct out-of-pocket costs and expenses for managing the Franchised Business. In the event the Franchisor assumes management of the Franchised Business, the Franchisor has a duty to utilize only reasonable efforts and will not be liable to Franchisee for any debts, losses or obligations the Franchised Business incurs, or to any of Franchisee's creditors.

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

SECTION 8 TRAINING

A. Initial Training Program

Franchisor shall provide an Initial Training Program for Franchisee and its Manager, if one is hired, approximately two (2) weeks prior to Franchisee's grand opening, or at some other time authorized in writing by the Franchisor. The Initial Training Program consists of a three (3) week program using both classroom and on-the-job training, with the first week taking place at Franchisor's company-owned location in Pendleton, IN or any other location designated by the Franchisor in its sole discretion. The second week will take place at the Franchised Business one (1) week prior to Franchisee's grand opening and the third week of training will take place at the Franchised Business during the first full week of operation. The cost of the Initial Training Program for up to two (2) individuals is covered by the Initial Fee, but Franchisee will be responsible for all travel, lodging, meals, and other expenses incurred by Franchisee in attending the training program. Only Franchisee and its Manager, if one is hired, is required to attend the Initial Training Program. If any additional individuals attend the Initial Training Program, Franchisee must pay a training fee of One Thousand Dollars (\$1,000.00) per person, plus all travel, lodging, meals, and other expenses, including wages, that are incurred in attending the training program.

Franchisee must complete the Initial Training Program to the Franchisor's satisfaction prior to the opening of the Franchised Business. In the event Franchisee fails to complete the Initial Training Program to the Franchisor's satisfaction, Franchisor may terminate this Agreement. In the event this Agreement is terminated under these circumstances, Franchisor shall issue a refund to Franchisee equal to fifty percent (50%) of the Initial Fee paid by Franchisee.

B. Additional Training

Franchisor reserves the right to require Franchisee, its Manager, or its employees to participate in ongoing or mandatory additional training, and to attend an annual convention for further training. Franchisor may, in its sole discretion, charge a fee for participating in such additional training and for attending the annual convention. Franchisee will be responsible for all travel, lodging, meals, and other expenses incurred by Franchisee, its Manager, or its employees in attending the additional training and annual convention.

**SECTION 9
OPERATIONS MANUAL**

Franchisor shall loan Franchisee one copy of the confidential Manual during the term of this Agreement. The requirements of the Manual shall govern the operation of the Franchised Business. The standards and specifications are based upon Franchisor's experience operating a business of the type being franchised and best practices in the industry. Franchisor may modify the requirements and the Manual at any time and in its sole discretion as it deems necessary. Franchisee shall operate the Franchised Business in accordance with the standards, specifications, and procedures set forth in the Manual and shall comply with any modifications to the standards, specifications, and procedures in the Manual, or as otherwise directed in writing by the Franchisor. Franchisee acknowledges and agrees that any such modifications, revisions, additions, amendments, deletions and supplements are reasonable and necessary and understands and acknowledges that compliance with such modifications, revisions, additions, amendments, deletions and supplements to the System may require Franchisee to incur increased costs.

**SECTION 10
AUTHORIZED PRODUCTS AND APPROVED SUPPLIERS**

A. Authorized Products

Franchisee shall only offer authorized services and products from the Approved Business Location including, but not limited to, fresh, made to order donuts, coffee, and other designated products. Franchisor has the right, without limit, to modify, add, or enhance the types of authorized products and services Franchisee is required to offer. Franchisee is prohibited from offering any unauthorized products from the Approved Business Location or under the Proprietary Marks. In the event Franchisee offers or sells any unauthorized products from the Approved Business Location or under the Proprietary Marks, Franchisor may terminate this Agreement.

B. Approved Suppliers

Franchisee shall purchase all products necessary for the operation of the Franchised Business from distributors and suppliers designated and approved by the Franchisor. The Franchisor may serve as the only designated supplier or distributor of required products. The list of Approved Suppliers is contained within the Manual that will be provided to Franchisee upon signing this Agreement.

Franchisee may request to obtain approval for a new supplier by submitting such request in writing to Franchisor. The request should include the basis for the request, comparative pricing, the reasons the request should be approved, and a product sample if applicable. Franchisor reserves the right to require Franchisee to pay the costs Franchisor incurs for testing samples and evaluating the potential new supplier.

Supplier approval is made on a case-by-case basis and determined by Franchisor in its sole discretion. Franchisor's criteria for evaluating potential new suppliers is pricing quality, delivery speed and frequency, and other determining factors consistent with Franchisor's quality standards. Franchisee will make commercially reasonable efforts to notify Franchisor of Franchisor's approval or disapproval in writing of the requested supplier within sixty (60) days of submitting all the necessary information Franchisor needs to evaluate the supplier. Franchisor reserves the right to deny or revoke its approval of any supplier at any time and for any reason. Franchisee shall be notified of such changes and is responsible for immediately terminating its relationship with a supplier if the supplier's approval is revoked. Additionally, Franchisee is required to immediately cease the use and purchase of such goods and/or services if a supplier's approval is revoked. Franchisee is responsible for ensuring that all goods and services conform to Franchisor's standards and specifications during the Term of this Agreement.

SECTION 11 COMPUTER AND SOFTWARE REQUIREMENTS

Franchisee is required to have a computer system and Internet access, as well as an electronic register and the designated point-of-sale software in order to operate the Franchised Business. Franchisor reserves the right, without limitation, to modify or supplement the hardware or software required in the operation of the Franchised Business. Franchisee acknowledges and agrees that computer designs, and functions change periodically, and that Franchisee may be required to make and install substantial modifications to the computer system, software, or hardware during the term of this Agreement in order to efficiently operate the Franchised Business.

Franchisee acknowledges and agrees that Franchisor will have the free and unfettered right to retrieve data and information related to the Franchised Business that is stored on Franchisee's hard drive, either internally or externally, as Franchisor deems necessary, desirable, or appropriate. The business information or data that will be collected or generated includes, but is not limited to, sales

data, client data, statistics, retail data, and income and expense data including profit and loss sheets and balance sheets.

SECTION 12 INSPECTIONS

A. Pre-Opening Inspection

Franchisor will conduct a pre-opening inspection of the Franchised Business to ensure Franchisee is in compliance with Franchisor's standards and specifications. Franchisee shall not open the Franchised Business to the public without written authorization from Franchisor after the pre-opening inspection.

Franchisee acknowledges and agrees that Franchisor's authorization for opening of the Franchised Business is limited solely to reviewing and confirming compliance with Franchisor's standards and specifications and does not warrant, represent, guarantee, or assure that the Franchised Business will be successful, profitable, or meet Franchisee's expectations.

B. Post-Opening Inspections

Franchisee will operate the Franchised Business using the System and in compliance with all of the terms of this Agreement, the Manual, and as otherwise directed in writing by the Franchisor. Franchisor will conduct monthly inspections of the Franchised Business to determine compliance with its standards and specifications. Franchisor may conduct inspections more often than monthly if Franchisee fails the inspection or if Franchisor deems it necessary to ensure Franchisee is in compliance with Franchisor's standards and specifications. Franchisee acknowledges and agrees that Franchisor's personnel or designated agents have the right to enter the Franchised Business at any reasonable time for the purpose of inspecting the Franchised Business, evaluating the services and items sold at the Franchised Business, auditing, and all other purposes necessary to determine that the Franchised Business is being operated in accordance with the terms of this Agreement, the Manual, and as otherwise directed in writing by the Franchisor.

Franchisee agrees to remedy any defects, deficiencies, or unsatisfactory conditions discovered at the Franchised Business during the inspection, no later than forty-eight (48) hours after receiving written notice from the Franchisor; provided, however, that if the default is related to public safety, then Franchisee is required to remedy the issue as soon as practicable.

SECTION 13 FEES

A. Definition of Gross Sales

The term "Gross Sales" for purposes of determining the amount due to the Franchisor is defined to include the total revenues derived by Franchisee in and from the Franchised Business from all sales, both retail and services, provided in, upon, or from the Franchised Business, whether for

cash, check, credit, barter, or otherwise, without reserve or deduction for inability or failure to collect the same and whether such business is conducted in compliance with or in violation of the terms of this Agreement. Gross Sales does not include refunds to customers, credits, discounts or the amount of any sales taxes or other similar taxes that Franchisee might be required to and does collect from customers to be paid to any federal, state, or local taxing authority.

B. Royalty Fees

Franchisee shall pay to Franchisor a monthly Royalty Fee of six percent (6%) of the total monthly Gross Sales of the Franchised Business. The Royalty Fee for each month must be received by the Franchisor no later than the tenth (10th) day of the following month. The Royalty Fee shall be paid by electronic funds transfer (“EFT”) from Franchisee’s bank account through an automatic debit system. Franchisee must maintain a balance in its account sufficient to allow Franchisor to collect amounts owed to it when due. In the event there are insufficient funds to collect the amounts owed to Franchisor, Franchisee will be charged an additional fee of Twenty-Five Dollars (\$25.00) for each EFT attempt that was unsuccessful, plus reimbursement of any costs Franchisor incurred from the bank due to the insufficient funds. Franchisee is required to sign the EFT Form attached as **Exhibit F** and any other required documents to authorize Franchisee’s bank to transfer either electronically or through some other method of payment designated by Franchisor directly to Franchisor’s account and to charge Franchisee’s account for all amounts due to Franchisor from Franchisee. If Franchisee has not established an account for ACH/debit payments as of the execution date of this Agreement, Franchisee shall establish such account and provide the information to Franchisor before attending the Initial Training Program.

During the Term of this Agreement, Franchisee shall deliver to Franchisor a report of the Gross Sales of the Franchised Business for each month. Franchisee must deliver the report by the tenth (10th) day of each month and the report shall be in a form specified by Franchisor, which shall fully disclose all information requested. Franchisee shall supply, upon Franchisor's written request, documentation supporting the information disclosed on the reports.

C. National Marketing Fund

Franchisee shall contribute, on a monthly basis, an amount equal to one percent (1%) of the total monthly Gross Sales of the Franchised Business. Franchisor reserves the right to increase or decrease the amount of the required contribution in its discretion; provided, however, the required contribution will not exceed more than three percent (3%) of the total monthly Gross Sales of the Franchised Business. Franchisor may, in its sole discretion, decide to terminate or suspend the Marketing Fund at any time.

Franchisor has the exclusive right to direct all marketing programs financed by the Marketing Fund, including the right to control the creative concepts, materials, and endorsements. Franchisor shall have the right to determine the geographic market, media placement, and allocation of the Marketing Fund and has no obligation to administer the Marketing Fund in such a manner as to ensure that expenditures by the Marketing Fund in any geographic area are proportionate or equivalent to contributions to the Marketing Fund by Franchisee or that Franchisee will benefit

directly or in proportion to its contribution to the Marketing Fund, or from the conduct of marketing programs or the placement of advertising.

The Marketing Fund may be used to pay the costs of preparing and producing video, audio, and printed marketing materials; administering multi-regional and national marketing programs, including purchasing television, radio, magazine, billboard, newspaper, and other media advertising; employing advertising agencies and/or public relations firms to assist with marketing and advertising; and providing marketing materials to franchisees. The Marketing Fund may also be used to meet any and all costs reasonably related and incidental to administering the Marketing Fund and its related programs, including administrative costs. Under no circumstances will the Marketing Fund be used to solicit new franchisees.

The Marketing Fund will be accounted for separately from Franchisor's other funds, but the Marketing Fund is not a trust or escrow account, and Franchisor has no fiduciary obligations to Franchisee with respect to the Marketing Fund or with the monies collected. Franchisor is permitted to spend in any fiscal year an amount greater or less than the aggregate contributions of franchisees to the Marketing Fund in that year. Any part of the Marketing Fund contributions that are not spent during the fiscal year will remain in the Marketing Fund to be used in the next fiscal year. Franchisor is under no obligation to audit the expenditures of the Marketing Fund. However, at Franchisee's request, Franchisor will make available to Franchisee an annual accounting that shows how the fund proceeds were spent for the previous year.

At this time, there is not a Franchise Advisory Council. However, Franchisor reserves the right to establish one to advise and consult with Franchisor about the establishment, modification, continuance, or other decisions or considerations affecting marketing programs and new products and services when there is a minimum of ten (10) franchisees. In the event Franchisor establishes a Franchise Advisory Council, Franchisor will have the exclusive right to determine its organizational structure and manner of operation.

D. Local Advertising

Franchisee shall be required to conduct local advertising and to spend a minimum of two percent (2%) of Franchisee's total monthly Gross Sales of the Franchised Business on such advertising. Upon Franchisor's request, Franchisee must substantiate local advertising expenditures to Franchisor by supplying such information as Franchisor may require from time to time, including but not limited to paid advertising invoices and like documentation. Franchisor may provide Franchisee with standard marketing and advertising materials, but it is Franchisee's sole responsibility to utilize the provided materials and to conduct the required local advertising.

Franchisee may create and use their own marketing and advertising materials to advertise the Franchised Business, but the content must be submitted to and pre-approved in writing by the Franchisor before such materials are used. Franchisor will notify Franchisee of its approval or disapproval of the proposed advertising material within thirty (30) days after it receives all the necessary information for review. Franchisor reserves the right to use and make available for use

by other Quack Daddy Donuts franchisees any advertising material submitted by Franchisee and approved by Franchisor without any compensation to Franchisee. Franchisor may approve, disapprove, or revoke approval of any advertising materials for any reason and at any time. Franchisee shall not use any marketing materials that Franchisor has disapproved.

E. Grand Opening Marketing Campaign

Franchisee is required to conduct a Grand Opening Marketing Campaign ("Campaign") during the fourteen (14) days before opening the Franchised Business and during the first thirty (30) days of operation. During the Campaign, Franchisee must spend a minimum of Five Thousand Dollars (\$5,000.00) to Ten Thousand Dollars (\$10,000.00) on advertising; provided, however, that the amount spent on the Campaign will be credited against Franchisee's monthly local advertising requirements for the first month. Upon Franchisor's request, Franchisee must substantiate Campaign expenditures to Franchisor by supplying such information as Franchisor may require from time to time, including but not limited to paid advertising invoices and like documentation.

F. Late Fee

If any fee or any other amount due under this Agreement is not received within five (5) days after such payment is due, Franchisee shall pay Franchisor a late fee of One Hundred Dollars (\$100.00) per day for each day such amount is past due. In addition, Franchisee shall pay interest equal to the lesser of the daily equivalent of eighteen percent (18%) per annum on the overdue amount per year or the highest rate then permitted by applicable law for each day such amount is past due.

G. Insufficient Fund Fees

Franchisee must maintain a balance in its account sufficient to allow Franchisor to collect amounts owed when due. In the event there are insufficient funds to collect the amounts owed to Franchisor, Franchisee will be charged an additional fee of Twenty-Five Dollars (\$25.00) for each EFT attempt that was unsuccessful, plus reimbursement of any costs Franchisor incurs from the bank due to the insufficient funds. Franchisee is required to sign the EFT Form attached as **Exhibit F** and any other required documents to authorize Franchisee's bank to transfer either electronically or through some other method of payment designated by Franchisor directly to Franchisor's account and to charge Franchisee's account for all amounts due to Franchisor from Franchisee.

H. Franchisor's Right to Offset

Franchisor shall have the right at any time before or after termination of this Agreement, without notice to Franchisee, to offset any amounts or liabilities that may be owed by Franchisee to Franchisor against any amounts or liabilities that may be owed by Franchisor to Franchisee under this Agreement or any other agreement, transaction or relationship between the parties. Under no circumstance shall Franchisee have the right to offset any amounts or liabilities that may be owed

by the Franchisor to Franchisee against any amounts or liabilities that may be owed by Franchisee to Franchisor under this Agreement or any other agreement, transaction or relationship between the parties.

SECTION 14 INSURANCE

A. Insurance Coverage Requirements

Franchisee is solely responsible for obtaining and maintaining in full force and effect all insurance necessary to operate the Franchised Business and in such coverages, limits and amounts as may be required from time to time by us, the Manual, or otherwise directed in writing, including, but not limited to, the following:

Policy Type	Minimum Amount-Each Occurrence	Minimum Amount-Aggregate
Commercial General Liability	\$1,000,000	\$2,000,000
Personal Injury & Advertising Injury	\$1,000,000	\$2,000,000
Worker's Compensation	State minimum	State minimum
Employment Practices Liability	\$100,000	\$100,000

The required policies and minimum amounts of coverage may be modified from time to time in Franchisor's discretion upon thirty (30) days written notice to Franchisee. Franchisee must designate Franchisor and its Affiliate and their directors, officers, employees, and agents as additional insureds on all insurance policies and such insurance policies must not be canceled or modified without thirty (30) days' prior written notice to Franchisor.

In the event Franchisee leases the Approved Business Location to operate the Franchised Business, Franchisee may be required to obtain and maintain in full force and effect certain insurance policies and coverage designated by the Landlord and the lease agreement. In such case, Franchisee shall comply with any and all insurance policies and limits required by the lease agreement. Failure to do so will constitute a breach under the Franchise Agreement.

B. Proof of Insurance

Prior to opening the Franchised Business to the public, Franchisee shall deliver to Franchisor proof of insurance coverage by way of a signed original certificate or certificates of all required insurance policies which shall contain the authorized agent's business name, address and phone number, together with a statement by the insurer that the policy will not be canceled or materially changed without at least thirty (30) days prior written notice to the Franchisor that the alteration or

cancellation is being made. All insurance coverages will be underwritten by a company approved by the Franchisor. Insurance coverage obtained by Franchisee pursuant to this Agreement will not relieve Franchisee of any liability under any indemnity provisions of this Agreement.

C. Franchisee's Failure to Procure Insurance

If Franchisee fails to procure or maintain the insurance required by this Agreement, the Manual, as otherwise directed in writing by the Franchisor, and/or the lease agreement if applicable, Franchisor will have the right, but not the obligation, to procure such insurance on behalf of Franchisee and Franchisee shall pay the Franchisor the cost of obtaining such insurance, plus a ten percent (10%) administrative surcharge. The costs, premiums, and fees will be payable by Franchisee immediately upon Franchisor's demand and will accrue interest equal to the lesser of the daily equivalent of eighteen percent (18%) per annum on such amount per year or the highest rate then permitted by applicable law until the amount is paid.

SECTION 15 INDEMNIFICATION

Franchisee, or if Franchisee is an entity, its owners, officers, members, directors, and guarantors, agree to protect, defend, indemnify, and hold Franchisor and its members, managers, employees and agents, jointly and severally, harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, consequently, directly or indirectly incurred (including, without limitation, attorneys', accountants' and other related fees) as a result of, arising out of, or connected with the operation of the Franchised Business, including, without limitation, Franchisee's negligence, breach of contract, civil or criminal wrongdoing, and the failure of Franchisee to comply with any applicable laws. This indemnification provision shall survive the termination or expiration of this Agreement.

SECTION 16 RECORDKEEPING, REPORTS AND ACCOUNTING

A. Books, Records, and Accounts

Franchisee, at its own expense, must maintain and preserve for the Franchised Business complete and accurate books, records, tax returns and accounts for at least six (6) years following the end of the calendar year to which they relate and in accordance with generally accepted accounting principles of the United States, applicable law, and the Franchisor's standards and specifications. Franchisee shall record all sales and receipts of revenue and report it to Franchisor in the required form and manner, which may be modified from time to time in Franchisor's sole discretion.

Franchisee shall also submit monthly reports of all sales and receipts of revenue no later than the tenth (10th) day of the following month during the term of this Agreement. Franchisee shall be solely responsible for performing all record keeping duties and the cost and expense associated therewith.

Franchisee must, at its expense, submit to Franchisor such other miscellaneous forms, reports, records, financial statements, and other information relating to the Franchised Business as Franchisor may reasonably request and in the form and at the times and places specified by Franchisor.

B. Financial Statements

No later than ten (10) days from the end of each quarter, Franchisee shall deliver to Franchisor an unaudited profit and loss statement and balance sheet covering the Franchised Business for the preceding quarter and any other sales data as requested by Franchisor, all of which shall be certified by Franchisee as true and correct. All such statements shall be prepared in a format prescribed or approved by the Franchisor from time to time. If Franchisee fails to submit the required financial statements to Franchisor within the prescribed time period, Franchisor may, in its sole discretion, perform an operational audit of the Franchised Business in accordance with Section 16(C) of this Agreement.

In addition, Franchisee shall deliver to Franchisor financial statements, which have been reviewed by a certified public accountant, within ninety (90) days after the close of Franchisee's fiscal year for each year during the term of this Agreement that reflects the financial condition of the Franchised Business at the end of such fiscal year. These statements shall be in accordance with generally accepted accounting principles of the United States, applicable law, and the Franchisor's standards and specifications.

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

C. Franchisor's Right to Audit

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

The examination or audit shall be at Franchisor's expense, unless it is disclosed that Franchisee understated its Franchised Business' Gross Sales by more than five percent (5%), in which case, Franchisee shall be required to reimburse Franchisor for the cost and expense of such examination or audit. Franchisee shall also pay Franchisor any deficiency in Royalty Fees, Marketing Fund contributions, or other fees due to the Franchisor as disclosed by such audit or examination within five (5) days following receipt of the auditor's report, plus interest calculated at the maximum rate specified by law, or in the absence of a maximum rate specified by law, eighteen percent (18%)

per annum. If the inspections and audits conducted by the Franchisor establish a pattern of underreporting by Franchisee, then Franchisor has the right to require that Franchisee employ an accounting firm approved by Franchisor to assist in maintaining and preserving Franchisee's books, records, tax returns, accounts, and such other statistical and other information or records relating to the Franchised Business.

In the event the audit or examination discloses that Franchisee has overpaid Royalty Fees, Marketing Fund contributions, or other fees to the Franchisor, such amounts will be credited to Franchisee against the next month's Royalty Fees, Marketing Fund contributions, or other fees due to the Franchisor beginning with the month following receipt of the auditor's report and continuing until the credit is exhausted.

SECTION 17

PROPRIETARY MARKS AND CONFIDENTIALITY

A. Proprietary Marks

Franchisor hereby grants Franchisee the right to use the name and mark QUACK DADDY DONUTS®, as well as its logos. Franchisee expressly acknowledges that Franchisor is the sole and exclusive owner of the name and mark QUACK DADDY DONUTS®, the logo, and any other proprietary marks, trade names, logos, and the like ("Proprietary Marks") that Franchisor requires Franchisee to use in the operation of the Franchised Business. Franchisee shall not represent in any manner that Franchisee has acquired any ownership rights in the Proprietary Marks and shall not use any of the Proprietary Marks or any marks, names, or indicia which are, or may be confusingly similar to the Proprietary Marks, in its own entity or business name. Franchisee further acknowledges and agrees that any and all goodwill associated with the System and identified by the Proprietary Marks shall inure directly and exclusively to the benefit of the Franchisor.

Franchisee shall use the Proprietary Marks only in such manner as authorized by the Franchisor, which Franchisor may in its sole discretion modify from time to time. Franchisee's right to use the Proprietary Marks is derived solely from this Agreement and is limited to the operation of the Franchised Business by Franchisee pursuant to and in compliance with this Agreement. Franchisee shall not use the Proprietary Marks in connection with offering, selling, or advertising any unauthorized products or services. Any unauthorized use of the Proprietary Marks by Franchisee shall constitute a breach of this Agreement. Franchisee understands and agrees that any use of the Proprietary Marks other than in accordance with this Agreement, the Manual or otherwise directed in writing by the Franchisor, without the Franchisor's prior written consent, is an infringement of Franchisor's rights therein and that the right to use the Proprietary Marks granted herein does not extend beyond the termination or expiration of this Agreement. Franchisee expressly covenants that, during the term of this Agreement and thereafter, Franchisee shall not, directly or indirectly, commit any act of infringement or contest the validity of Franchisor's ownership of the Proprietary Marks, or aid others in infringing or contesting the Franchisor's right, title, and interest in the Proprietary Marks.

Franchisor reserves the right to modify or discontinue use of any of the Proprietary Marks or use one or more additional or substitute trade or service marks in Franchisor's sole discretion. If Franchisor modifies or discontinues use of any of the Proprietary Marks or uses one or more additional or substitute trade or service marks, Franchisee agrees to comply with Franchisor's directions to modify or otherwise discontinue the use of such Proprietary Marks. Any and all expenses or costs incurred by Franchisee associated with such modification or discontinuance of any new, modified, or replacement Proprietary Marks shall be the sole responsibility of Franchisee. In no event, will Franchisor be liable to Franchisee for any purported loss or damage to the Franchised Business due to the modification or discontinued use of the Proprietary Marks.

Franchisee must notify Franchisor immediately if Franchisee receives notice of, or is informed of any infringing or unauthorized use of the System or the Proprietary Marks. Franchisor shall have the sole right to handle disputes with third-parties concerning the Proprietary Marks and/or the System. If Franchisor undertakes the defense or prosecution of any litigation pertaining to the Proprietary Marks, Franchisee must reasonably sign any documents and do acts and things as may, in Franchisor's attorneys' opinion, be necessary to carry the defense or prosecution. Franchisor is not obligated to defend Franchisee's right to use the Proprietary Marks or to defend Franchisee against claims of infringement or unfair competition arising out of Franchisee's use of the Proprietary Marks.

B. Internet and Social Media

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

Franchisee must obtain Franchisor's prior approval to use any domain name, address, or other designation that contains any Proprietary Mark, or a confusingly similar variation thereof, and such domain name, address, or other designation shall be registered in Franchisor's name and licensed to Franchisee by Franchisor for the term of this Agreement. If Franchisor's approval is granted, the form, content and appearance of Franchisee's website or social media site, and any modifications thereto, must comply with Franchisor's standards and specifications and must be approved by Franchisor before it is posted on the Internet so that Franchisor can maintain the common identity and uniformity of the Proprietary Marks and the System.

C. Confidential Information

Franchisee acknowledges and agrees that the methods, processes, skills, know-how, techniques, information, trade practices, customer lists or databases, software and other proprietary data

relating to the development and operation of the Franchised Business and the System (collectively, the “Confidential Information”) is derived entirely from information disclosed to Franchisee by Franchisor and that such information is proprietary, confidential, and constitutes trade secrets of the Franchisor. Franchisee shall at all times use its best efforts to keep the Confidential Information confidential and shall limit access to the information to employees and independent contractors of Franchisee on a need-to-know basis. Franchisee agrees to adhere fully and strictly to all confidentiality attached to such information and to exercise the highest degree of diligence in safeguarding Confidential Information during and after the term of this Agreement. Franchisee shall cause its employees who have access to the Confidential Information to sign a Confidentiality, Non-Disclosure, and Non-Competition Agreement that is substantively similar to the one attached hereto as **Exhibit D** and provide a copy of the signed agreement to the Franchisor upon its request.

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

D. Improvements to System

Franchisee acknowledges and agrees that if Franchisee or its employees develop any concept, process, service, monthly special, or improvement (“Improvement”) in the operation or promotion of the Franchised Business, Franchisor will be deemed to own the Improvement and may use the Improvement in the System and authorize other Quack Daddy Donuts franchisees to use the Improvement in the operation of their businesses without any obligation to compensate Franchisee. The Improvement will also constitute Confidential Information.

Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property in the Improvement. To the extent any Improvement does not qualify as a “work made-for-hire” for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of the Improvement, and all related rights to the Improvement to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the Improvement.

SECTION 18

NON-COMPETITION COVENANTS AND NON-SOLICITATION

A. Non-Competition During Term

During the terms of this Agreement, neither Franchisee nor its owners (and members of their immediate families), or Franchisee's officers, directors, executives, members, managers, or guarantors shall either directly or indirectly, for itself or themselves, as a proprietor, partner, investor, lender, shareholder, director, officer, member, manager, employee, principal, agent, representative, advisor, franchisor, franchisee, consultant or otherwise:

- divert any business or customer of the Franchised Business to a Competitive Business, defined as a business that derives twenty percent (20%) or more of its annual gross sales from the sale of donuts;
- engage in activity that causes injury to the Proprietary Marks or the System; or
- own or work for or otherwise engage in any Competitive Business.

B. Non-Solicitation of Employees

During the Term of this Agreement, and for a period of one (1) year immediately following the date of termination or expiration of this Agreement, neither Franchisee nor its owners (and members of their immediate families), or Franchisee's officers, directors, executives, members, managers, or guarantors shall employ or seek to employ any person who is employed, or was employed within the immediately preceding twelve (12) months with Franchisor or another Quack Daddy Donuts franchisee who has knowledge or skills which could be used to compete with Franchisor or other franchisees, or otherwise directly or indirectly induce that person to leave their employment, without obtaining that person's and the employer's prior written permission.

C. Non-Competition Post-Term

For a period of three (3) years commencing upon the date of: (a) a transfer permitted under Section 19 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of the covenants not to compete; or (e) any or all of the foregoing, neither Franchisee nor its owners (and members of their immediate families), or Franchisee's officers, directors, executives, members, managers, or guarantors shall either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) a Competitive Business that is, or is intended to be, located at the Approved Business Location or within the Franchisee's Territory.

If Franchisee, its owners (and members of their immediate families), or Franchisee's officers, directors, executives, members, managers, or guarantors commit a breach of this post-term covenant not-to-compete, the three (3) year restrictive period shall be tolled and start on the date that the former Franchisee, its owners (and members of their immediate families), or Franchisee's officers, directors, executives, members, managers, or guarantors are enjoined from competing or stop competing, whichever is later.

Nothing in this Agreement shall prevent Franchisee, its owners (and members of their immediate families), or Franchisee's officers, directors, executives, members, managers, or guarantors from owning for investment purposes up to an aggregate of two percent (2%) of the capital stock of any Competitive Business that is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, or through the National Association of Securities Dealers Automated Quotation System (NASDAQ) so long as Franchisee, its owners (and members of their immediate families), or Franchisee's officers, directors, executives, members, managers, or guarantors do not control any such company.

D. Severability and Reasonableness of Covenants

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

E. Enforcement of Non-Competition Covenants

Franchisee, its owners (and members of their immediate families), and Franchisee's officers, directors, executives, members, managers, and guarantors acknowledge and agree that a violation of the terms of this Section 18 would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law is available. Accordingly, Franchisee, its owners (and members of their immediate families), and Franchisee's officers, directors, executives, members, managers, and guarantors hereby consent to the entry of an injunction, without bond, prohibiting any conduct by Franchisee, its owners (and members of their immediate families), and Franchisee's officers, directors, executives, members, managers, and guarantors in violation of the terms of the non-

competition covenants set forth in this Agreement. Franchisee further agrees to pay all costs and expenses (including reasonable attorney's fees at all levels) incurred by Franchisor in connection with the enforcement of Section 18 of this Agreement.

SECTION 19 TRANSFERS

A. Transfer by Franchisor

Franchisor shall have the right to assign this Agreement and any or all of its rights, obligations and privileges hereunder to any other person, firm or corporation without Franchisee's prior consent; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall expressly assume and agree to perform such obligations.

B. Transfer by Franchisee

Franchisee agrees that Franchisee's rights and duties stated in this Agreement are personal to Franchisee, and that Franchisor has entered into this Agreement in reliance on the business skill, financial capacity, and character of Franchisee, its owners, and Franchisee's officers, directors, executives, members, managers, or guarantors. Accordingly, except as otherwise provided in this Section 19, a transfer, assignment, or division, whether voluntarily, involuntarily, or by operation of law, of any interest in this Agreement, any ownership interest in the business entity, or a transfer of any of Franchisee's rights or obligations under this Agreement (collectively, a "Transfer") without the prior written approval of Franchisor, which approval may be withheld in Franchisor's sole discretion, is prohibited and shall be a breach of this Agreement. If Franchisor elects not to exercise its right of first refusal to purchase the Franchised Business or the interest therein as provided in Section 19(D), Franchisee shall be required to obtain Franchisor's approval of the proposed Transfer and the proposed transferee.

If Franchisee or its owners desire to make a Transfer, such person or entity must comply with the following terms, conditions, and procedures to effectuate a valid Transfer:

- Franchisee shall have first notified Franchisor in writing of any bona fide proposed Transfer and set forth a complete description of all terms, conditions and fees of the proposed Transfer in the manner prescribed by Franchisor to comply with Franchisor's right of first refusal as set forth in Section 19(D) of this Agreement;
- The transferee must meet all of Franchisor's then-current standards and requirements for becoming a Quack Daddy Donuts franchisee;
- The transferee shall sign the standard Quack Daddy Donuts franchise agreement then being offered, which may include, among other matters, a different fee structure, increased fees, different terms and conditions, a modified territory and different purchase requirements;

- The transferee shall, at transferee's cost and expense, have completed Franchisor's Initial Training Program to Franchisor's satisfaction;
- Franchisee shall pay all amounts due to Franchisor and cure all breaches of this Agreement and any other agreement it may have with Franchisor;
- Franchisee shall have complied with all material obligations to Franchisor under this Agreement or any other agreement or arrangement with Franchisor; and
- Franchisee or transferee shall pay a transfer fee in the amount of Ten Thousand Dollars (\$10,000.00) (the "Transfer Fee"), which is intended to cover Franchisor's costs and expenses associated with the Transfer. Franchisee and transferee acknowledges that such a Transfer Fee is appropriate.

In the event of a Transfer of any kind by Franchisee or its owners, Franchisee, its owners (and members of their immediate families), and Franchisee's officers, directors, executives, members, managers, or guarantors shall comply with all covenants and post-termination obligations of this Agreement.

C. No Encumbrance

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

D. Right of First Refusal

If Franchisee or its owners desire to make a Transfer, Franchisee shall first offer in writing any bona fide proposed Transfer and set forth a complete description of all terms, conditions and fees of the proposed Transfer in the manner prescribed by the Franchisor. Within sixty (60) days after Franchisor's receipt of such notice (or if Franchisor shall request additional information, within sixty (60) days after receipt of the additional information), Franchisor may exercise its right of first refusal and accept the offer upon the terms and conditions specified in the notice. Franchisor may substitute an equivalent sum of cash for any consideration other than cash specified in the notice. If Franchisor does not elect to exercise its right of first refusal, Franchisor may offer to transfer the Franchised Business or the interest to third parties on the same terms and conditions as offered to Franchisor and subject to the conditions set forth in Section 19(B) of this Agreement.

If Franchisee does not consummate the Transfer in accordance with the terms offered to and approved by Franchisor within six (6) months after Franchisee gives notice of the Transfer to Franchisor, Franchisee shall not make the Transfer without again first offering to make the Transfer to Franchisor. Additionally, if the terms of the offer to third parties are materially changed, such changed terms shall be deemed a new proposal subject to Franchisor's right of first refusal.

E. Transfer Upon Franchisee's Death or Disability

Upon Franchisee's or its owners' death or permanent disability, the executor, administrator, conservator or other personal representative shall transfer the interest in this Agreement or the ownership interest in the Franchised Business within a reasonable time, not to exceed six (6) months from the date of death or permanent disability to a third-party approved by Franchisor. A Transfer under such circumstances will be subject to all of the terms and conditions contained in this Section 19 of the Agreement including Franchisor's right of first refusal; provided, however, that Transfer by gift, devise or inheritance, will be subject to all of the terms and conditions for transfer contained in this Section 19 except for Franchisor's right of first refusal.

In the event no suitable or acceptable transferees are discovered within six (6) months from the date of death or permanent disability despite the good faith effort of the executor, administrator, conservator or other personal representative, Franchisor may purchase the Franchised Business upon mutually agreeable terms and conditions. If mutually agreeable terms and conditions cannot be reached within a reasonable time, not to exceed ninety (90) days, Franchisor may terminate this Agreement.

For purposes of this Agreement, the term "permanent disability" will mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee or its owners from supervising the operation of the Franchised Business for a period of six (6) months from the onset of such disability, impairment or condition.

SECTION 20 DEFAULT AND TERMINATION

A. Termination by Franchisor

1. Defaults Subject to Immediate Termination

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

- Franchisee does not select and obtain Franchisor's approval of an Approved Business Location within six (6) months of the Effective Date of this Agreement;
- Franchisee makes any materially false statement or report to Franchisor in connection with acquiring the Franchised Business or entering this Agreement;

- Franchisee abandons the Franchised Business by failing to operate it for six (6) consecutive days during which Franchisee is required to operate the Franchised Business under the terms of this Agreement, the Manual, or otherwise directed in writing by the Franchisor, unless such failure to operate is due to an event beyond Franchisee's control;
- Franchisee sells or offers for sale any products or services which have not been previously approved by the Franchisor in writing, or which have been subsequently disapproved;
- Franchisee uses the Proprietary Marks in an unauthorized manner contrary to or inconsistent with this Agreement or Franchisor's policies, standards or specifications as stated in the Manual or otherwise directed in writing by the Franchisor;
- Franchisee, its owners, officers, directors, members, managers, or guarantors disclose, or cause to be disclosed, any Confidential Information provided to Franchisee contrary to the provisions of this Agreement or Franchisee, its owners, officers, directors, members, managers, or guarantors fail to exercise reasonable care to prevent such disclosure;
- Franchisee, its owners, officers, directors, members, managers, or guarantors violate any in-term covenant not to compete contained in Section 18(A) or Section 18(B) of this Agreement;
- Franchisee receives from Franchisor more than three (3) valid notices of default of this Agreement in the same twelve (12) month period, regardless of whether previous defaults have been cured;
- Franchisee, its owners, officers, directors, members, managers, or guarantors are convicted of any felony or crime of moral turpitude regardless of the nature thereof, or any other crime or offense relating to the operation of the Franchised Business;
- Franchisee, its owners, officers, directors, members, managers, or guarantors engage in any conduct which reflects materially and unfavorably upon the operation of the Franchised Business or the System or Franchisor generally;
- Franchisee, its owners, officers, directors, members, managers, or guarantors become insolvent or makes a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by Franchisee, its owners, officers, directors, members, managers, or guarantors; or such a petition is filed against and consented to by Franchisee, its owners, officers, directors, members, managers, or guarantors; or if a bill in equity or

other proceeding for the appointment of a receiver of Franchisee, its owners, officers, directors, members, managers, or guarantors, or other custodian for the Franchised Business or assets is filed and consented to by Franchisee, its owners, officers, directors, members, managers, or guarantors; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed; or

- The Franchised Business or Approved Business Location is seized, taken over, or foreclosed by a government official in the exercise of his or her duties; or is seized, taken over, or foreclosed by a creditor, lien holder, or lessor; or a final judgment against Franchisee remains unsatisfied for thirty (30) days.

2. Defaults Subject to Cure Period

In the event Franchisee is in default in the performance of any of the terms of this Agreement, other than those calling for immediate termination set forth above, Franchisor will provide Franchisee with written notice of such default and an opportunity to cure within thirty (30) days from the date of the written notice. Franchisor reserves the right to modify the time period within which Franchisee must cure defaults in its discretion by providing prior written notice to Franchisee. Franchisor may, in addition to all remedies that Franchisor has available to it at law or in equity, declare this Agreement automatically terminated, unless such default is cured within thirty (30) days or any other period designated by the Franchisor after written notice thereof from the Franchisor to the Franchisee.

B. Termination by Franchisee

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

C. Force Majeure

Notwithstanding anything contained in this Agreement to the contrary, neither party shall be in default of this Agreement by reason of its delay in performance of or failure to perform any of its obligations if such delay or failure is caused by strikes or other labor disturbances; acts of God; acts of the public enemy; riots or other civil disturbances; fire; flood; pandemic; epidemic; public health emergency; or any other fault beyond the non-performing party's control that was not caused by such party's fault or negligence ("Force Majeure"). In the event of a Force Majeure, the

time required for performance of the non-performing party's obligations shall be the duration of the unavoidable delay.

D. Cross-Default

A default by Franchisee under this Agreement or any other agreement between Franchisee and Franchisor shall be deemed a default of each and every agreement between Franchisee and Franchisor. Accordingly, if this Agreement is terminated as a result of a default by Franchisee, Franchisor may, at its option, elect to terminate any or all of the other agreements between Franchisor and Franchisee, and if any of the other agreements is terminated as a result of a default by Franchisee, the Franchisor may, at its option, elect to terminate this Agreement. It is agreed that an incurable or uncured default under this Agreement or any other agreements between Franchisee and Franchisor will be grounds for termination of this Agreement and/or any and all other agreements without additional notice or opportunity to cure.

SECTION 21 POST-TERMINATION OBLIGATIONS

A. Post-Termination Obligations

Upon expiration or termination of this Agreement, all rights granted under this Agreement to Franchisee will immediately terminate, and Franchisee, at its expense, will comply with each of the following obligations:

- Franchisee must immediately cease to operate the Franchised Business and will not directly or indirectly represent or give the impression to the public that it is a present or former franchisee of Franchisor or was in anyway connected to the System;
- Franchisee must pay all amounts due to Franchisor in the event of expiration or termination of this Agreement within five (5) days of the termination or expiration of the Agreement. In the event of termination of this Agreement, Franchisee shall also pay Franchisor actual and consequential damages, costs, and expenses incurred by Franchisor as a result of the termination;
- Franchisee must return the Manual, other proprietary information, software, and all trade secrets and confidential materials owned or licensed by the Franchisor;
- Franchisee must return or discontinue use of all forms, agreements, advertising material, marks, devises, insignias, slogans, designs, signs, trade dress, and any computer systems including proprietary software and/or hardware;
- Franchisee must cease to use any methods, procedures, or techniques associated with the System in which the Franchisor has a proprietary right, title, or interest;

- Franchisee must discontinue the use of all copyrights, Proprietary Marks, trade names and patents now or hereafter applied for or granted in connection with the operation of the Franchised Business. Any signs containing any Proprietary Marks that Franchisee is unable to remove from the Approved Business Location upon termination of this Agreement, despite its best efforts, shall be completely covered by Franchisee from view and physically removed within forty-eight (48) hours after termination;
- Franchisee must take such action as may be necessary to cancel any fictitious, trade, or assumed name or equivalent registration that contains any Proprietary Marks or any variations thereof, and transfer and assign all telephone numbers to Franchisor. Franchisee must furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement. In the event Franchisee fails to comply with this obligation within thirty (30) days after termination or expiration, Franchisor is hereby appointed as the Franchisee's attorney-in-fact for such purpose and such power, being coupled with an interest, shall be irrevocable; and
- Franchisee must strictly comply with all other provisions of this Agreement pertaining to post-termination obligations, including, without limitation, the post-term covenant not-to-compete, the obligation of non-disclosure of Confidential Information, and the obligation of non-solicitation of employees.

B. Franchisor's Right to Repurchase Products and Supplies

Upon the expiration or termination of this Agreement, Franchisor shall have the right, but not the obligation, to purchase some or all the products and supplies at the Franchised Business and the equipment or signs which bear the Proprietary Marks at depreciated value within thirty (30) days of termination or expiration of this Agreement. If Franchisor elects to exercise its right to purchase products, supplies, equipment, or signs, it may offset the purchase price against any other amounts owed by Franchisee to Franchisor pursuant to this or any other agreement between Franchisee and Franchisor.

SECTION 22 NOTICES

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

FRANCHISOR:

Quack Daddy Donuts, LLC
106 W State St
Pendleton, IN 46064

FRANCHISEE:

SECTION 23

DISPUTE RESOLUTION AND GOVERNING LAW

A. Mediation

Except for actions related to or based on the Proprietary Marks or the copyrights of the Franchisor or to enforce the non-competition or non-solicitation covenants of this Agreement which Franchisor may bring in a court of competent jurisdiction, all controversies, disputes, claims, causes of action and/or alleged breaches or failures to perform obligations (a “Claim”) between Franchisor and Franchisee arising out of or related to this Agreement; the relationship of the parties; the validity of this Agreement; or any aspect of the Franchised Business shall first be submitted by the parties to non-binding mediation before a mutually agreeable mediator. Mediation shall be conducted at a mutually agreed upon location; provided, however, that if no location can be mutually agreed upon by the parties, mediation shall be conducted in Indianapolis, Indiana. The cost of the mediator shall be split equally among the parties with each party bearing its own costs related to the mediation, including attorneys’ fees. The parties agree to act in good faith to attempt to resolve the Claim through mediation, but if the parties are unable to resolve the Claim through mediation, then either party may initiate arbitration pursuant to Section 23(B) of this Agreement.

B. Arbitration

If the parties first submit a Claim to mediation, and such Claim is unable to be resolved through mediation, then either party may initiate arbitration. Arbitration shall be conducted in accordance with the then-current rules of AAA that apply to commercial arbitration and shall be held in Indianapolis, Indiana. Arbitration proceedings will be heard by a panel of three (3) arbitrators whereby Franchisor and Franchisee will each select one arbitrator and the two chosen arbitrators will mutually agree on the third arbitrator. The cost of the panel of arbitrators shall be shared equally by the parties.

The decision as to whether a Claim is subject to mandatory arbitration shall be made by an arbitrator, not a court. The parties further agree that, in connection with any such arbitration proceeding, each will file any compulsory counterclaim, as defined by Rule 13 of the Federal Rules of Civil Procedure, within thirty (30) days after the date of the filing of the claim to which it relates. Any party to an arbitration proceeding may apply to the arbitrators for reasonable discovery from the other.

C. Litigation, Jurisdiction, and Venue

If a Claim asserted is not subject to mandatory mediation or arbitration, then the party asserting the Claim may initiate a suit, action or legal proceeding to resolve the Claim; provided, however, that such suit, action, or legal proceeding shall only be brought in the State or Federal courts whose jurisdiction encompasses Hamilton County, Indiana. Each of the parties irrevocably and unconditionally consent to the jurisdiction of such court in any suit, action or proceeding and waive any objection which it may have to the laying of venue of any such suit, action or proceeding in

any of such courts. **TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE IRREVOCABLY SUBMITS TO THE JURISDICTION OF SUCH FORUM AND WAIVES THE RIGHT TO ANY OBJECTION TO THE JURISDICTION OR VENUE OF SUCH FORUM.**

D. Governing Law

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

E. Injunctive Relief

Franchisee acknowledges and agrees that adherence to the terms and conditions of this Agreement are necessary to protect the value of the Franchisor's business. Franchisee therefore acknowledges and agrees that in the event of a breach of this Agreement or a threatened breach by Franchisee, Franchisor shall be entitled to, in addition to all other remedies at law or equity, to a preliminary or permanent injunction or other appropriate orders, without posting bond, to restrain any such breach or threat of breach to prevent the continuation of harm. Franchisee acknowledges and agrees that seeking or obtaining injunctive relief shall not preclude Franchisor from making a Claim for damages or other relief available at law or in equity. Franchisee acknowledges and agrees to reimburse Franchisor for all reasonable attorneys' fees, costs, and expenses associated with enforcing this Agreement through injuncting relief.

F. Attorneys' Fees

In the event Franchisor is the prevailing party in any Claim brought through arbitration or litigation arising out of, or related to this Agreement, Franchisor is entitled to recover from Franchisee all costs and expenses related to the action, including reasonable attorneys' fees, and all costs of collecting moneys owed.

SECTION 24 COMPLIANCE WITH LAWS

Franchisee shall comply with all applicable federal and state civil and criminal laws, ordinances, rules, regulations and orders of governmental authorities pertaining to the maintenance and operation of the Franchised Business including, without limitation, those relating to health, safety, sanitation, employment, and taxation. Franchisor has no obligation to advise Franchisee of any legislative or other legal developments that may affect its Franchised Business. Franchisee acknowledges and agrees that it is solely responsible for inquiring about and becoming familiar with all applicable laws, rules and regulations, and determining those actions required for compliance. Franchisee shall obtain any and all permits, certificates, and licenses required for the full and proper conduct of the Franchised Business. Any violation by Franchisee of any laws, rules or regulations, shall be deemed a default of this Agreement, and Franchisor may immediately terminate this Agreement if Franchisee does not cure the violation within the applicable timeframe

provided for by the applicable governing authorities or within thirty (30) days, whichever time period is shorter.

SECTION 25 WAIVER AND MODIFICATIONS

A. Waiver

Failure by either party to enforce any rights under this Agreement shall not be construed as the waiver of such rights. Any waiver, including waiver of default, or acceptance of money or other performance by Franchisor from Franchisee in any one instance shall not constitute a continuing waiver or a waiver in any other instance. Franchisor shall not be deemed to have waived any of its rights under this Agreement, including any right to receive payment in full for any product or service provided, nor shall Franchisee be deemed to have been excused from performance of any of its obligations pursuant to this Agreement, unless such waiver or excuse is written and executed by an authorized representative of Franchisor and Franchisee.

B. Modification

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

SECTION 26 SEVERABILITY AND CONSTRUCTION

A. Severability

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

B. Construction

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

In addition, on any occasion where Franchisor is required or permitted hereunder to make any judgment or determination, including any decision as to whether any condition or circumstance meets Franchisor’s standards or satisfaction, Franchisor may do so in its sole judgment.

Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

SECTION 27 ENTIRE AGREEMENT

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

SECTION 28 ACKNOWLEDGEMENTS

Franchisee hereby acknowledges the following:

- A. FRANCHISEE WARRANTS AND REPRESENTS THAT FRANCHISEE HAS FULL POWER AND AUTHORITY TO ENTER INTO AND BE BOUND BY THIS AGREEMENT.
- B. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND UNDERSTANDS AND ACKNOWLEDGES THAT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS MAKING THE SUCCESS OF THE

VENTURE PRIMARILY DEPENDENT UPON THE BUSINESS ABILITIES AND PARTICIPATION OF FRANCHISEE AND ITS EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR.

- C. FRANCHISEE HAS NO KNOWLEDGE OF ANY REPRESENTATIONS BY FRANCHISOR OR ITS OFFICERS, DIRECTORS, SHAREHOLDERS, MEMBERS, MANAGERS, EMPLOYEES, AGENTS OR SERVANTS ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE DOCUMENTS INCORPORATED HEREIN. FRANCHISEE REPRESENTS THAT IT HAS MADE NO MISREPRESENTATIONS IN ENTERING THIS AGREEMENT AND UNDERSTANDS THAT FRANCHISOR IS RELYING ON SUCH REPRESENTATION AS AN INDUCEMENT TO FRANCHISOR'S ENTRY INTO THIS AGREEMENT.
- D. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR OR ITS AGENT HAS PROVIDED FRANCHISEE WITH A FRANCHISE DISCLOSURE DOCUMENT FOURTEEN (14) CALENDAR DAYS BEFORE THE EXECUTION OF THIS AGREEMENT, AND/OR FOURTEEN (14) CALENDAR DAYS BEFORE ANY PAYMENT OF ANY CONSIDERATION. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE HAS READ SUCH FRANCHISE DISCLOSURE DOCUMENT AND COMPLETELY UNDERSTANDS ITS CONTENTS AND REQUIREMENTS.
- E. FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE OPPORTUNITY TO CONSULT WITH ITS OWN ATTORNEYS, ACCOUNTANTS, AND OTHER ADVISORS AND THAT THE ATTORNEYS FOR FRANCHISOR HAVE NOT ADVISED OR REPRESENTED FRANCHISEE WITH RESPECT TO THIS AGREEMENT OR THE RELATIONSHIP THEREBY CREATED.
- F. FRANCHISEE AND ITS ADVISERS HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE FRANCHISE.
- G. FRANCHISEE IS AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF FRANCHISOR MAY OPERATE UNDER A DIFFERENT FORM OF AGREEMENT, AND CONSEQUENTLY THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.
- H. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR MAY APPOINT AN INDEPENDENT CONTRACTOR OR AREA DEVELOPER TO FULFILL FRANCHISOR'S OBLIGATIONS TO PROVIDE ASSISTANCE TO FRANCHISEE.

SIGNATURES CONTAINED ON THE NEXT PAGE

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

FRANCHISEE:

By: _____

Title: _____

FRANCHISOR:

Quack Daddy Donuts, LLC

By: _____

Title: _____



EXHIBIT A
TERRITORY AND APPROVED BUSINESS LOCATION

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

2. The Approved Business Location as referenced in the Agreement shall be as follows:

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

FRANCHISEE:

By: _____

Title: _____

FRANCHISOR:

Quack Daddy Donuts, LLC

By: _____

Title: _____

EXHIBIT B
OWNERSHIP VERIFICATION

This form must be completed in order to provide Franchisor with the type of business entity that the Franchisee has established and the names and addresses of the individuals owning an interest in Franchisee and the percentage of ownership interest. Franchisor is relying on the truth and accuracy of the information set forth below in awarding the franchise to Franchisee.

1. Form of Entity

Franchisee is a (check one):

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

2. Business Entity

Franchisee was incorporated or formed on _____, 20____, under the laws of the State of _____. Franchisee has not conducted business under any name other than Franchisee's business entity name. The following is a list of all persons who have an ownership interest in Franchisee, their address, positions, and respective percentage of ownership:

NAME AND ADDRESS	POSITION	PERCENTAGE OF OWNERSHIP INTEREST

3. Governing Documents.

Franchisee agrees to provide Franchisor, upon reasonable request, with copies of the documents and contracts governing the ownership, management and other significant aspects of the business

entity such as the articles of incorporation or organization, or partnership or shareholder agreements.

FRANCHISEE:

By: _____

Title: _____

FRANCHISOR:

Quack Daddy Donuts, LLC

By: _____

Title: _____



EXHIBIT C
PERSONAL GUARANTY OF FRANCHISE AGREEMENT

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

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

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

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

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

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

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

GAURANTOR:

**Acknowledged and accepted by
FRANCHISOR:**

Quack Daddy Donuts, LLC

By: _____



EXHIBIT D
SECURITY AGREEMENT

In order to secure full and prompt payment of the fees and other charges to be paid by Franchisee to Franchisor, and to secure performance of Franchisee's other obligations and covenants under that certain Franchise Agreement, dated _____, by and between Quack Daddy Donuts, LLC ("Franchisor" or "Secured Party") and _____ ("Franchisee" or "Debtor"), Franchisee and Franchisor agree as follows:

1. Security Interest. To secure the payment and performance by Debtor of all obligations and liabilities under the Franchise Agreement (such payment and performance of such obligations and liabilities being hereinafter collectively referred to as the "Obligations"), Debtor shall and hereby does grant, convey, assign and transfer to Secured Party, a security interest in, lien upon, and right of set off against all of Debtor's interest (collectively, the "Collateral") in:
 - a. the improvements, fixtures, inventory, goods, appliances and equipment now or hereafter owned and located at the Franchised Business (whether annexed to the Premises or not) or used in connection with the business conducted at the Premises, including all machinery, materials, appliances and fixtures for generating or distributing air, water, heat, electricity, light, fuel, or refrigeration, for ventilating, cooling or sanitary purposes, for the exclusion of vermin or insects and for the removal of dust, refuse or garbage; all engines, machinery, stoves, refrigerators, furnaces, partitions, doors, vaults, sprinkling systems, light fixtures, fire hoses, fire brackets, fire boxes, alarm systems, brackets, screens, floor tile, linoleum, carpets, plumbing, water systems, appliances, walk-in refrigerator boxes, cabinets, dishwashers, bake ovens, set-up tables, kitchen ranges, display counters and shelves, computers and computer software, and other equipment and installations; all other and further installations and appliances;
 - b. all signs and other appurtenances and other property, real and personal, bearing any of the Proprietary Marks used at, located on or affixed to the Premises;
 - c. all raw materials, work in process, finished goods, and all inventory;
 - d. all licenses, permits, and contract rights, including telephone numbers, telephone and other directory listings, and any other asset owned by Franchisee and used in or useful in connection with operation of the Franchised Business; and
 - e. all replacements, attachments, additions, accessions, products, and proceeds to and of any of the items included in clauses (a), (b), or (c), in any form, including to insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing.

2. Debtor's Obligations.

- a. Debtor will not sell or otherwise dispose of any item of Collateral, or remove any Collateral from the Premises, unless the same is replaced by a similar item of equal or greater value without Secured Party's consent, except for the sales of Inventory in the ordinary course of business.
 - b. Debtor agrees that no lien upon or security interest in the Collateral or any item thereof will be created or suffered to be created and that no lease will be entered into with respect to any item of Collateral without Secured Party's prior written consent.
3. Subordination. Secured Party agrees that it will subordinate its security interest to bona fide third-party purchase money financing (including equipment lease financing) made available to Debtor in connection with the acquisition, development, and operation of the Franchised Business.
4. Financing Statements. Debtor hereby authorizes Secured Party, from time to time, to file financing statements in such form as may be necessary to perfect the security interest in the Collateral in any or all pertinent jurisdictions and in this regard, to execute said financing statements for itself as Secured Party and for Debtor as Debtor's agent. Debtor agrees to execute for filing the financing statements and continuation statements as Secured Party may require from time to time.
5. Default. The term "Event of Default", as used, herein, shall mean the occurrence and continuation of any one or more of the events that constitutes a default under the Franchise Agreement for which termination is an option or remedy. In an Event of Default, Franchisor will have all the remedies and rights available as a "secured party" with respect to the Collateral under the Uniform Commercial Code as in effect from time to time in the state where the Premises is located. The grant of the security interest by Franchisor will not derogate from or impair any other rights which Franchisor may have under the Franchise Agreement or otherwise.
6. Notices. All notices, requests, demands, payments, consents and other communications required under this Agreement shall be transmitted in writing and shall be deemed to have been duly given when sent by registered or certified United States mail, postage prepaid, or other form of delivery which provides for a receipt and otherwise agreed to in writing by the parties, addressed as follows:

SECURED PARTY:

Quack Daddy Donuts, LLC
106 W State St
Pendleton, IN 46064

DEBTOR:

7. Miscellaneous.

- a. This Security Agreement shall inure to the benefit of, and shall be binding upon the respective successors, assigns, and legal representatives of the parties hereto.
- b. The captions used herein are inserted for reference purposes only and shall not affect the interpretation or meaning of this Security Agreement.
- c. This Security Agreement will survive the termination of the Franchise Agreement.
- d. If any part, Section, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the provision which is indefinite, invalid or unenforceable shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

8. Applicable Law. This Agreement shall be governed by and interpreted under the laws of the State of Indiana, without regard to the principles of conflict of laws thereof.

DEBTOR:

By: _____

Title: _____

Date: _____

SECURED PARTY:

Quack Daddy Donuts, LLC

By: _____

Title: _____

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

In consideration of, and as an inducement to, employment with _____ (“Franchisee”), this Confidentiality, Non-Disclosure and Non-Competition Agreement is entered into by and between Franchisee and _____ (“Employee”) on this _____ day of _____, _____. Employee, in consideration of the receipt and use of information proprietary to Quack Daddy Donuts, LLC (“Franchisor”) by Franchisee, agrees as follows:

1. CONFIDENTIALITY

Employee acknowledges and agrees that the methods, processes, skills, know-how, techniques, information, trade practices, customer lists or databases, and other proprietary data relating to the development and operation of the Franchised Business (“Confidential Information”) is derived entirely from information disclosed to Employee by Franchisee and that such information is proprietary, confidential, and constitutes trade secrets of the Franchisor. Employee must use its best efforts to keep the Confidential Information confidential and shall limit access to the information to other employees and independent contractors of Franchisee on a need-to-know basis. Employee agrees to adhere fully and strictly to all confidentiality attached to such information and to exercise the highest degree of diligence in safeguarding Confidential Information during and after employment.

2. NON-DISCLOSURE

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

3. INTELLECTUAL PROPERTY

Employee acknowledges and agrees that if Employee develops any concept, process, service, or improvement in the operation or promotion of the Franchised Business (“Improvement”), Franchisor will be deemed to own the Improvement and may use the Improvement and authorize other Quack Daddy Donuts franchisees to use the Improvement in the operation of their businesses

without any obligation to compensate Employee. Any such Improvement will also constitute Confidential Information.

Employee agrees to assign to Franchisor all right, title and interest in any intellectual property in the Improvement to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the Improvement.

4. NON-COMPETITION

a. Non-Competition During Employment

During employment, Employee shall not, either directly or indirectly, as a proprietor, partner, investor, lender, shareholder, director, officer, member, manager, employee, principal, agent, representative, advisor, franchisor, franchisee, consultant or otherwise, engage in any other competitive business including, but not limited to, any business that: (i) derives 20% or more of its annual gross sales from the sale of donuts ("Competitive Business"); or (ii) open any Competitive Business anywhere other than as a Quack Daddy Donuts franchisee. The purpose of this covenant is to encourage Employee to use his or her best efforts to promote the System, the Franchised Business, and its products and services, and to protect the Franchisor's Confidential Information and trade secrets.

b. Non-Competition Post-Term

Employee covenants that, except as otherwise approved in writing by Franchisee, Employee shall not, for a period of one (1) year commencing upon the date of: (a) termination of employment (regardless of the cause for termination); (b) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of the covenants not to compete; or (c) any or all of the foregoing, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is or is intended to be located within the Franchisee's Territory.

If Employee commits a breach of this post-term covenant not-to-compete, the one (1) year restrictive period shall be tolled and start on the date that Employee is enjoined from competing or stops competing, whichever is later.

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

5. NON-SOLICITATION

During the term of employment, and for a period of one (1) year immediately following the date of termination of employment, Employee shall not employ or seek to employ any person who is employed by, or was employed within the immediately preceding twelve (12) months by Franchisor, Franchisee, or any other Quack Daddy Donuts franchisee, or otherwise directly or indirectly induce that person to leave their employment, without obtaining that person's and the employer's prior written permission.

6. REMEDIES

Employee acknowledges and agrees that adherence to the terms and conditions of this Agreement are necessary to protect the value of the Franchisee's business and the Franchisor's Confidential Information. Employee therefore acknowledges and agrees that in the event of a breach of this Agreement or a threatened breach by Employee, Franchisee or Franchisor shall be entitled to, in addition to all other remedies at law or equity, to a preliminary or permanent injunction or other appropriate orders, without posting bond, to restrain any such breach or threat of breach to prevent the continuation of such harm. Employee acknowledges and agrees that seeking or obtaining injunctive relief shall not preclude Franchisee or Franchisor from making a claim for damages or other relief available at law or in equity. Employee acknowledges that the existence of any claim or cause of action that Employee may have against Franchisee predicated on this Agreement or otherwise shall not constitute a defense to the enforcement by the Franchisee of this Agreement. Employee acknowledges and agrees to reimburse Franchisee or Franchisor for all reasonable attorneys' fees, costs, and expenses associated with enforcing this Agreement.

7. SEVERABILITY AND REASONABLENESS

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

8. WAIVER

No waiver of any provision of this Agreement shall be deemed to be or shall constitute a waiver of any other provision, whether or not similar in nature. No waiver shall constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

Failure at any time to require performance of any obligation under this Agreement shall not be deemed a waiver and shall not affect the other party's right from requiring the obligation be performed.

9. GOVERNING LAW

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

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

FRANCHISEE:

EMPLOYEE:

By: _____

Title: _____



EXHIBIT F
ELECTRONIC TRANSFER OF FUNDS FORM/ACH AUTHORIZATION

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

Name on the account: _____

Address: _____

City, State, Zip: _____

Bank Routing Number: _____

Bank Account Number: _____

E-Mail Confirmation: _____

FRANCHISEE:

FRANCHISOR:

Quack Daddy Donuts, LLC

By: _____

By: _____

Title: _____

Title: _____

Date: _____

EXHIBIT G
LEASE RIDER

THIS LEASE RIDER is made this _____ day of _____, _____, by and between _____, (“Landlord”), and _____, a _____ and duly authorized franchisee (“Tenant”) of Quack Daddy Donuts, LLC, an Indiana limited liability company, with its principal offices at 106 W. State Street, Pendleton, IN 46064 (“Franchisor”).

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

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

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

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

- A. Agrees to notify Franchisor, in writing, of and upon Tenant’s failure to cure any default under the Lease, and to provide Franchisor with the right, but not the obligation, to cure any default by Tenant under the Lease within thirty (30) days from Franchisor’s receipt of notice (“Cure Period”) from Landlord of such default by Tenant; provided, however, that if such default cannot be reasonably cured by Franchisor within the Cure Period, Landlord agrees that the Cure Period will be extended for such time as is reasonably necessary to cure such default, so long as Franchisor has commenced taking the steps to cure such default within the Cure Period and is diligently working towards curing said default;
- B. Agrees that Franchisor has the right to take possession of the Lease Premises in the event Franchisor elects to exercise its “step-in rights” as set forth in the Franchise Agreement by and between Franchisor and Franchisee;
- C. Agrees that Franchisor has the right, but not the obligation, within thirty (30) days of the date of (i) Franchisor’s receipt of notice from Landlord of default by Tenant; (ii) termination under the Lease; (iii) Tenant’s default under the Franchise Agreement; or (iv)

the expiration or termination of the Franchise Agreement to take possession of the Leased Premises and Landlord will recognize Franchisor as tenant under the Lease, provided that Franchisor cures Tenant's defaults under the Lease within the Cure Period set forth in Section A above;

- D. Agrees that if Franchisor becomes the assignee of the Lease as provided for in Section C above, Franchisor may (i) further assign the Lease to an affiliate of Franchisor or to another franchisee of Franchisor without prior approval or consent of Landlord; or (ii) enter into a sublease with an affiliate of Franchisor or another franchisee without prior approval or consent of Landlord. Landlord agrees that upon the effectiveness of the assignment referred to in Section D(i) above, Franchisor will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee will operate the Leased Premises as a Quack Daddy Donuts franchise; and
- E. Agrees that the Lease may not be amended, assigned or sublet without Franchisor's prior written consent.

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

TENANT:

By: _____

Title: _____

Date: _____

LANDLORD:

By: _____

Title: _____

Date: _____

FRANCHISOR:

Quack Daddy Donuts, LLC

By: _____

Date: _____

EXHIBIT C
LIST OF CURRENT FRANCHISEES

FRANCHISEE	ADDRESS	CITY, STATE	PHONE NUMBER



EXHIBIT D
LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

FRANCHISEE	STATE	PHONE NUMBER	EMAIL ADDRESS



EXHIBIT E
OPERATIONS MANUAL
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EXHIBIT F
UNAUDITED FINANCIAL STATEMENTS

[Separate Page]



**Financial Statements
Of
QUACK DADDY DONUTS, LLC**

**Modified Cash Basis
For the Year Ended December 31, 2018**



See Accompanying Accountant's Compilation Report



Accountant's Compilation Report

To the Management
Quack Daddy Donuts, LLC
106 West State St.
Pendleton, IN 46064

We have compiled the accompanying statements of assets, liabilities and capital-modified cash basis of Quack Daddy Donuts, LLC (a limited liability company) as of December 31, 2018, and the related statements of revenues, expenses and change in member's capital-modified cash basis for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all the disclosures ordinarily included in the financial statements prepared in accordance with modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

Pathfinder Group LLC

June 26, 2020

1050 East 86th Street Suite 55 A • Indianapolis, IN 46240 • Phone 317.218.3787 • Fax 317.663.8090 •
pathfindercpagroup.com

QUACK DADDY DONUTS, LLC
Statement of Assets, Liabilities and Equity- Modified Cash Basis
As of December 31, 2018

Assets

Current Assets

Cash in Bank Accounts	\$ 14,035.89	
Supplies Inventory	<u>35,620.53</u>	
Total Current Assets		49,656.42

Fixed Assets

Building Improvement	55,625.02	
Design	3,112.50	
Furniture and Equipment	72,137.33	
Organizational Costs	34,800.00	
POS Merchant	600.00	
Sign	3,211.30	
Less Accumulated Depreciation	<u>(48,496.06)</u>	
Total Fixed Assets		<u>120,990.09</u>
Total Assets		<u>\$ 170,646.51</u>

See Accompanying Accountant's Compilation Report

QUACK DADDY DONUTS, LLC
Statement of Assets, Liabilities, and Equity- Modified Cash Basis
As of December 31, 2018

Liabilities and Equity

Current Liabilities

Sales Tax Payable	\$ 1,370.14	
Current Maturities of Long-Term Debt	<u>16,021.53</u>	
Total Current Liabilities		17,391.67

Long-Term Liabilities

Note Payable – Member	30,176.58	
Note Payable	80,107.67	
Less Current Maturities of Long-Term Debt	<u>(16,021.53)</u>	
Total Long-Term Liabilities		<u>94,262.72</u>

Total Liabilities	111,654.39
--------------------------	------------

Member Equity

Member Capital Accounts	<u>58,992.12</u>	
Total Member Equity		<u>58,992.12</u>

Total Liabilities and Equity	<u>\$ 170,646.51</u>
-------------------------------------	----------------------

See Accompanying Accountant's Compilation Report

QUACK DADDY DONUTS, LLC
Statement of Revenues and Expenses- Modified Cash Basis
For the Year Ended December 31, 2018

Revenue

Food sales	\$ 259,412.42
Interest Income	18.10
Miscellaneous Sales	<u>3,684.12</u>

Total Revenue	263,114.64
----------------------	-------------------

Cost of Goods Sold

Food Purchases	83,239.68
Restaurant Supplies	<u>3,041.59</u>

Total COGS	<u>86,281.27</u>
-------------------	-------------------------

Gross Profit	176,833.37
---------------------	-------------------

Operating Expenses

Advertising and Promotion	3,395.01
Bank Service Charges	6,741.84
Business Licenses and Permits	950.00
Charity and Donation	2,275.00
Computer and Internet Expenses	4,177.78
Contract Labor	450.00
Depreciation Expense	17,576.13
Dues and Description	100.00
Gifts	65.00
Insurance Expense	1,889.00
Interest Expense	2,369.16
Meals and Entertainment	1,448.29
Office Supplies	170.53
Payroll Expenses	59,876.34
Payroll Fees	2,907.59
Payroll Taxes	14,735.38
Professional Fees	2,900.00
Property Taxes	625.60
Rent Expense	22,644.00
Repairs and Maintenance	2,061.88
Storage Expense	116.00
Uniforms	5,825.21
Utilities	<u>11,444.28</u>

Total Operating Expenses	<u>164,744.02</u>
---------------------------------	--------------------------

Net Income (Loss)	<u>\$ 12,089.35</u>
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See Accompanying Accountant's Compilation Report

QUACK DADDY DONUTS, LLC
Statement of Member Equity - Modified Cash Basis
For the Year Ended December 31, 2018

Beginning Member Capital	\$ 46,902.77
Plus Net Income / (Loss)	<u>12,089.35</u>
Ending Member Capital	<u>\$ 58,992.12</u>



See Accompanying Accountant's Compilation Report

**Financial Statements
Of
QUACK DADDY DONUTS, LLC**

**Modified Cash Basis
For the Year Ended December 31, 2019**



See Accompanying Accountant's Compilation Report



Accountant's Compilation Report

To the Management
Quack Daddy Donuts, LLC
106 West State St.
Pendleton, IN 46064

We have compiled the accompanying statements of assets, liabilities and capital-modified cash basis of Quack Daddy Donuts, LLC (a limited liability company) as of December 31, 2019, and the related statements of revenues, expenses and change in member's capital-modified cash basis for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all the disclosures ordinarily included in the financial statements prepared in accordance with modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

Pathfinder Group LLC
June 26, 2020

1050 East 86th Street Suite 55 A • Indianapolis, IN 46240 • Phone 317.218.3787 • Fax 317.663.8090 •
pathfindercpagroup.com

QUACK DADDY DONUTS, LLC
Statement of Assets, Liabilities and Equity- Modified Cash Basis
As of December 31, 2019

Assets	
Current Assets	
Cash in Bank Accounts	\$ 1,588.14
Supplies Inventory	<u>35,620.53</u>
Total Current Assets	37,208.67
 Fixed Assets	
Building Improvement	55,625.02
Design	3,112.50
Furniture and Equipment	73,262.02
Organizational Costs	34,800.00
POS Merchant	600.00
Sign	3,211.30
Less Accumulated Depreciation	<u>(66,293.40)</u>
Total Fixed Assets	<u>103,192.75</u>
Total Assets	<u>\$ 140,401.42</u>

See Accompanying Accountant's Compilation Report

QUACK DADDY DONUTS, LLC
Statement of Assets, Liabilities, and Equity- Modified Cash Basis
As of December 31, 2019

Liabilities and Equity

Current Liabilities

Sales Tax Payable	\$ 1,236.28
Current Maturities of Long-Term Debt	<u>16,021.53</u>

Total Current Liabilities 17,257.81

Long-Term Liabilities

Note Payable – Member	30,176.58
Note Payable	60,688.41
Less Current Maturities of Long-Term Debt	<u>(16,021.53)</u>

Total Long-Term Liabilities 74,843.46

Total Liabilities 92,101.27

Member Equity

Member Capital Accounts	<u>(48,300.15)</u>
-------------------------	--------------------

Total Member Equity 48,300.15

Total Liabilities and Equity \$ 140,401.42

See Accompanying Accountant's Compilation Report

QUACK DADDY DONUTS, LLC
Statement of Revenues and Expenses- Modified Cash Basis
For the Year Ended December 31, 2019

Revenue		
Food sales	\$	237,565.87
Interest Income		2.12
Miscellaneous Sales		<u>9,240.93</u>
Total Revenue		246,808.92
Costs of Goods Sold		
Food Purchases		83,747.12
Restaurant Supplies		<u>5,178.22</u>
Total COGS		<u>88,925.34</u>
Gross Profit		157,883.58
Operating Expenses		
Advertising and Promotion		6,039.76
Bank Service Charges		6,541.37
Business Licenses and Permits		109.35
Charity and Donation		5,469.50
Computer and Internet Expenses		2,444.44
Contract Labor		209.07
Depreciation Expense		17,797.34
Dues and Description		100.00
Insurance Expense		1,810.00
Interest Expense		3,891.22
Legal Expense		2,728.25
License and Permit		15.00
Meals and Entertainment		1,043.85
Office Supplies		72.48
Payroll Expenses		54,750.76
Payroll Fees		3,597.29
Payroll Taxes		16,523.71
Professional Fees		3,375.00
Property Taxes		625.60
Rent Expense		22,644.00
Repairs and Maintenance		2,492.41
Security Expense		468.82
Storage Expense		1,469.20
Telephone Expense		1,002.65
Travel Expense		122.60
Uniforms		3,813.18
Utilities		<u>12,319.61</u>
Total Operating Expenses		<u>170,850.86</u>
Net Income (Loss)	\$	<u>(12,967.28)</u>

See Accompanying Accountant's Compilation Report

QUACK DADDY DONUTS, LLC
Statement of Member Equity - Modified Cash Basis
For the Year Ended December 31, 2019

Beginning Member Capital	\$ 58,992.12
Member Capital Contributions	2,275.31
Plus Net Income / (Loss)	<u>(12,967.28)</u>
Ending Member Capital	<u>\$ 48,300.15</u>



See Accompanying Accountant's Compilation Report

EXHIBIT G
LIST OF AGENTS FOR SERVICE OF PROCESS

Our agents for service of process are as follows:

<p>California: California Commissioner of Corporations 1390 Market Street Suite 800 San Francisco, California 94102</p>	<p>North Dakota: North Dakota Securities Department Commissioner 600 East Boulevard, Fifth Floor Bismarck, North Dakota 58505 (701) 328-2910</p>
<p>Hawaii: Commissioner of Securities 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2744</p>	<p>Oregon: Director of Oregon Department of Insurance and Finance 700 Summer Street, N.E. Suite 120 Salem, Oregon 97310 (503) 378-4387</p>
<p>Illinois: Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-1090</p>	<p>Rhode Island: Division of Securities 1511 Pontiac Avenue John O. Pastore Complex- Building 69-1 Cranston, Rhode Island 02920 (401) 222-3048</p>
<p>Maryland: Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>	<p>South Dakota: Director of South Dakota Division of Securities Department of Revenue and Regulation 445 E. Capital Pierre, South Dakota 57501 (605) 773-4823</p>
<p>Michigan: Michigan Department of Commerce, Corporations and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48910 (517) 334-6212</p>	<p>Virginia: Clerk State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9733</p>

<p>Minnesota: Minnesota Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296-4026</p>	<p>Washington: Securities Administrator Washington State Department of Financial Institutions General Admin Building 210 11th Avenue, S.W. Olympia, Washington 98504 (360) 902-8760</p>
<p>New York: New York Secretary of State 41 State Street Albany, New York 12231 (518) 473-2492</p>	<p>Wisconsin: Wisconsin Commissioner of Securities 345 West Washington Street, 4th Floor Madison, Wisconsin 53703</p>



EXHIBIT H
STATE SPECIFIC ADDITIONAL DISCLOSURES AND STATE SPECIFIC
ADDENDA



EXHIBIT I
FORM OF FRANCHISE COMPLIANCE CERTIFICATION

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. **Do not sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement.** Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. You had your first face-to-face meeting with our representative on: _____, 20__.

2. Have you received and personally reviewed our Franchise Agreement and each Addendum (if any) and related agreement (i.e., personal guaranty) attached to them?

☐ Yes ☐ No

3. Did you receive the Franchise Agreement and each related agreement, containing all material terms, at least 14 days before signing any binding agreement with us or an affiliate? This does not include changes to any agreement arising out of negotiations you initiated with us.

☐ Yes ☐ No

4. Do you understand all the information contained in the Franchise Agreement and each Addendum (if any) and related agreement provided to you?

☐ Yes ☐ No

If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed our Franchise Disclosure Document ("FDD") that was provided to you?

☐ Yes ☐ No

6. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

☐ Yes ☐ No

7. Did you sign a receipt for the FDD indicating the date you received it?

☐ Yes ☐ No

8. Do you understand all the information contained in the FDD and any state-specific Addendum to the FDD?

☐ Yes ☐ No

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

9. Do you acknowledge and understand that no parent or affiliate of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?

☐ Yes ☐ No

10. Have you discussed the benefits and risks of purchasing a franchise with an attorney, accountant or other professional advisor?

☐ Yes ☐ No

If No, do you wish to have more time to do so?

☐ Yes ☐ No

11. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

☐ Yes ☐ No

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

☐ Yes ☐ No

13. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

☐ Yes ☐ No

14. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

☐ Yes ☐ No

15. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

☐ Yes ☐ No

16. If you have answered “Yes” to any one of questions 12-15, please provide a full explanation of each “Yes” answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

17. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding? Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

☐ Yes ☐ No

18. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

☐ Yes ☐ No

19. You signed the Franchise Agreement and Addendum (if any) and related agreements on _____, 20__ and acknowledge that no agreement or addendum is effective until signed and dated by us.

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The individuals signing below for the Franchisee constitute all the executive officers, partners, shareholders, investors and/or principals of the Franchisee, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE:

Signature

Printed Name

Date

Signature

Printed Name

Date

EXHIBIT J
QUACK DADDY DONUTS LLC
FRANCHISE DISCLOSURE DOCUMENT RECEIPT (Copy 1)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Quack Daddy Donuts, LLC offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. If Quack Daddy Donuts, 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, DC 20580 and your state agency.

The contact information for our authorized representative for franchise sales is: Bryan Williams at 106 W State St, Pendleton, IN 46064, or by phone at 765-649-1144, or by email at franchiseinfo@quackdaddydonuts.com.

I have received a Franchise Disclosure Document, issuance date June 26, 2020. This Disclosure Document includes the following Exhibits:

- Exhibit A** – List of State Administrators
- Exhibit B** – Franchise Agreement and Exhibits
- Exhibit C** – List of Current Franchisees
- Exhibit D** -- List of Franchisees Who Have Left the System
- Exhibit E** – Operating Manual-Table of Contents
- Exhibit F** – Financial Statements
- Exhibit G** – List of Agents for Service of Process
- Exhibit H** – State Specific Disclosures and State Specific Addenda to Agreements
- Exhibit I** – Form of Franchise Compliance Certification
- Exhibit J** -- Disclosure Document Receipt (last page of Disclosure Document)

Date: _____

Franchisee (Name of Company): _____

By: _____

Title: _____

Address: _____

Telephone Number: _____

EXHIBIT J
QUACK DADDY DONUTS LLC
FRANCHISE DISCLOSURE DOCUMENT RECEIPT (Copy 1)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Quack Daddy Donuts, LLC offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. If Quack Daddy Donuts, 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, DC 20580 and your state agency.

The contact information for our authorized representative for franchise sales is: Bryan Williams at 106 W State St, Pendleton, IN 46064, or by phone at 765-649-1144, or by email at franchiseinfo@quackdaddydonuts.com.

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Exhibit H – State Specific Disclosures and State Specific Addenda to Agreements
Exhibit I – Form of Franchise Compliance Certification
Exhibit J -- Disclosure Document Receipt (last page of Disclosure Document)

Date: _____

Franchisee (Name of Company): _____

By: _____

Title: _____

Address: _____

Telephone Number: _____