

Shipley Do-Nuts FAQ

1. What areas are available for franchising?

ADC is an authorized franchisor for Shipley Do-Nuts. We are currently offering franchising opportunities in Williamson and Travis County. If you are interested in opening a Shipley Franchise outside of the Central Texas area please contact the Shipley Franchise Company at 713-869-4636 or www.shipleydonuts.ws.

2. I found a perfect location for a Shipley Do-Nuts franchise. What is the first step I take?

Click on the Contact tab (<http://www.adkindsdc.com/contact.html>) and fill in the Contact Us information. If you are interested in a location within our development area we will forward you the initial franchise packet.

3. What should I look for in a franchise location?

First, a generally desirable location is found in a population area larger than 25,000. Preferred are sites with high visibility, on the “in-bound” or morning drive side of the street, and down-stream from a traffic light. Space needs range from as little as 1100 sq. feet to as large as 2200 sq. feet.

4. Can I buy an existing building and convert it to a Shipley Do-Nut location?

Yes, with Subfranchisor approval

5. What are your ongoing fees?

Shipley Do-Nuts has a 3% Royalty of Gross Sales paid weekly.

6. How much cash or liquid assets will I need?

Shipley Do-Nuts has relatively low entry requirements which start at \$80,000.00 liquid and \$350,000.00 net worth.

Shipley Do-Nuts FAQ

7. What qualifications does Shipley Do-Nuts seek in its potential franchisees?

Someone who is hardworking, self motivated, previous restaurant experience is a plus, strong work ethic, good people skills, willingness to devote time and effort to cultivating the Shipley brand in their market.

8. Is previous foodservice or business experience necessary in order to be considered for a Shipley Do-Nuts Franchise?

No, previous foodservice experience is not necessary but managerial or business experience is helpful. You will receive 240 hrs of training to prepare you to operate a Shipley Do-Nut Shop.

9. What training will I receive before opening my donut shop?

The Subfranchisor will provide a training program to allow you and a select group of your employees to acquire skills in the preparation and sale of Shipley Do-Nuts, and in the operation and management of the Shipley Do-Nut Shop. Subfranchisor will train you and the selected employees at an established Shipley Do-Nut Shop. Such training, which typically runs for a period of a minimum of 240 hours, will be offered in a Shipley Do-nut Shop in Waco, Texas or such other site as designated by the Subfranchisor, and is provided at no cost to you, except that you shall be solely responsible for all salary, transportation, room, board and other living expenses of the persons undertaking the training. The training will cover the storage and handling of Do-Nut Mix, Fillings and Icings, and the preparation and sale of Shipley Do-Nut products. The training will also involve training with respect to staffing and scheduling, ordering and handling of supplies, and public relations. The instructors are staff of the Subfranchisor who have managed a Shipley Do-Nut Shop, or who have been trained by Subfranchisor in the operation of the franchise business. This training will normally take place in the sixty (60) days preceding the opening of your Shipley Do-Nut Shop, scheduled at the mutual convenience of the parties. The training program is mandatory for you and the selected employees prior to the opening of your Shipley Do-Nut Shop, and annually thereafter, a representative of yours may be requested to attend additional or refresher training of a similar duration and under similar conditions to those set forth above.

Shipley Do-Nuts FAQ

10. Can a Shipley Do-Nuts franchise be purchased as an investment?

If you are an individual, you must directly supervise the operation of your Shipley Do-Nut Shop on its premises. If the franchise is owned by a corporation, the Franchise Agreement requires that the principals participate personally in the direct operation of the Shipley Do-Nut shop, and that the Shipley Do-Nut Shop be at all times under the direct, on-premises supervision of a manager (who must be a principal) who has successfully completed the training program, and who devotes his entire time during business hours to the management of the Shipley Do-Nut Shop. Such manager may not have any interest as an owner, employee, director, officer, salesman, representative, agent or in any other capacity in any other business competitive with Shipley Do-Nut Shops.

11. How much does it cost to buy a Shipley Do-Nuts Franchise?

The initial franchise fee is \$25,000.00 plus the legal and accounting expenses incurred by Subfranchisor in the transaction. The estimated initial investment required ranges from about \$269,000-376,500. This sum does not represent your total investment in connection with your Shipley Do-Nut Franchise, and specifically does not include the cost to lease or purchase retail store space or to reimburse Subfranchisor for its legal and accounting expenses associated with the transaction.

12. How can I get a UFOC for Shipley Do-Nuts?

Before we send you the Shipley Do-Nuts UFOC we ask that you complete a Shipley Do-Nuts Initial Franchise Application. Click on the Contact tab (<http://www.adkinsdc.com/contact.html>) and fill in the Contact Us information. If you are interested in a location within our development area we will forward you the initial franchise packet.

13. What do I do once I receive the UFOC?

It is very important that you review the information provided in the UFOC. The Uniformed Franchise Offering Circular (UFOC) contains the franchisee's rights and obligations, a list of existing franchisees within the Shipley Do-Nut Franchise system, financial information pertaining to the company, and a sample of the franchise agreement. The potential franchisee should review the UFOC and must take ten (10) business days, at a minimum, to review the document prior to investing in the franchise or signing any binding agreement.

ShIPLEY Do-Nuts FAQ

14. Will Shipley Do-Nuts assist me in finding the location for my shop?

You are responsible for selecting your business site, that selection being subject to the Subfranchisor's approval. The Subfranchisor may assist in finding an approved location for your Shipley Do-Nut Shop, since the Subfranchisor is actively reviewing potential sites within many trade areas.

15. Do I get protected territory around my Shipley Do-Nut shop?

Each Shipley Do-Nut Franchisee is granted an exclusive territory consisting of a one (1) mile radius from the Shipley Do-Nut Shop or an area that has dimensions so as to encompass a population of 25,000, whichever is smaller in area. The precise dimensions of the exclusive territory will be defined on a schedule attached to the Franchise Agreement and will be established after the Approved Location is selected and approved by the Subfranchisor.

16. Can I own more than one Shipley Do-Nut shop?

Yes, however we encourage you to own and operate your first location for one year before opening your second store. The opportunity to own additional stores is at the sole discretion of the Subfranchisor.

17. What is the term of the Franchise Agreement?

15 yrs

18. How much money can I make?

Profitability depends on many factors; location, management, daily operations, etc. Subfranchisor and Master Franchisor do not furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Shipley Do-Nut Shop or Shipley Do-Nut franchise. Actual results vary from unit to unit and Subfranchisor and Master Franchisor cannot estimate the results of any particular franchise. The UFOC provides resource information about existing franchisees, the due diligence on your part in contracting these franchisees will help in better understanding the operational specifics of the franchise.

Shipley Do-Nuts FAQ

19. Once I am approved how long will it take to open my donut shop for business?

Shipley Do-Nut franchisees typically open their shops within 6-12 months after they sign their franchise agreement and pay the initial franchise fee; however, many factors affect this time period, including: the time required to negotiate a lease or the purchase of the premises; the time to arrange financing and negotiate agreements regarding construction, design, build-out, purchases of equipment, fixtures, furnishings and the like; weather delays; shortages of equipment, materials or qualified workforce; manufacturing and shipping delays of equipment, fixtures and signs.

20. Is there an advertising fee?

No, Shipley Do-Nuts does not charge an advertising fee and since there are no required additional marketing fees, the franchisee can customize the marketing needs to their location. We do require a minimum initial advertising expenditure upon store opening and is included in the initial investment amount of \$269,000.00 – \$376,000.00 in question 4.

21. Does Shipley Do-Nuts offer financing?

Subfranchisor and Master Franchisor do not offer direct financing and do not arrange financing for you.

22. Is there a charge for the training program?

No, there is no charge to you for the initial training that you and your employees will receive.

23. What are the hours of operation for a Shipley Do-nut Shop?

Shipley Do-nuts hours of operations vary from location to location, however most open at 5:00 am and close at 2:00pm.

Shipley Do-Nuts FAQ

24. How many varieties of donuts does Shipley Do-Nuts have?

Shipley Do-Nuts offers over 41 different varieties of donuts, 16 different varieties of pastries and several types of meat based items that are all produced from the same simple to use donut mix.

25. How many employees will I need?

You will need approximately 10 employees: (1) Owner, (2-3) cooks, (6) customer service clerks

26. Do we buy supplies from the same vendors?

All proprietary products will be purchased from Shipley Flour & Supply Company. In addition, the Subfranchisor will provide assistance to you in identifying and securing appropriate suppliers meeting the Master Franchisor's standards of quality for equipment and supplies.

27. What do successful Shipley Do-Nut shops have in common?

Successful owners are on-site owners that dedicate time to their location. Successful owners understand their market, the concept of great customer service, a strong observance to store cleanliness and a fanatical obsession to a consistently well made product.

28. How much support will I get after I have opened my shop?

Subfranchisor will be available, from time to time, upon reasonable request, for consultation with you concerning the management and operation of the Franchise.