



**Letter re Unauthorized Earnings Claim  
from Franchisor to Prospective Franchisee**

Saturday, November 29, 2003

Mr. Michael Fisher  
8623 E. Prospect Drive  
Los Angeles, California 90001

Re: Financial Results of David's Doughnuts™ Units - Unauthorized Disclosure

Dear Mr. Fisher:

I've been told that, in recent discussions between you and Louis Feinstein, one of David's Doughnuts, Inc.'s Franchise Development Consultants, and in response to your questions, Louis may have shared with you certain information regarding the financial or other performance of various company-owned and/or franchised David's Doughnuts™ units, including average weekly gross sales volume per unit. Disclosure of this information was not authorized and Louis has been spoken to about it.

We don't authorize our employees, salespersons or anyone else to make any claims or statements regarding prospects or chances of success, actual or potential sales, costs, earnings, income or profits of, or other financial matters regarding, any David's Doughnuts™ units. Any information regarding the financial or other performance of David's Doughnuts™ units which you may have received was not authorized, can't and shouldn't be relied on, we're not bound by such information, and, if you do rely on such information, you do so at your own risk. We will not have any responsibility with to any information regarding the financial or other performance of David's Doughnuts™ units which may have been provided to you by Louis or anyone else. We make no representation,



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warranty or promise that your company (or anyone else) will or may achieve any results which may have been disclosed to you.

In fact, we're not able to reliably predict gross revenues, expenses, profit or other results for franchised (or even company-owned) David's Doughnuts™ units. While it might be nice to have this kind of "crystal ball," we just don't have that ability. We certainly have no way of knowing what results any David's Doughnuts™ unit operated by you might achieve, since how well you might do depends on almost entirely on factors outside our control, including (but not limited to) your general business ability, your resources, how closely you follow our system, your location, competition and how good a businessperson you and your associates are.

**The business realities are that no one, including us, can make a reliable estimate or guarantee of what sort of results you (or anyone else) may experience in the operation of a David's Doughnuts unit** and, as a sophisticated businessman, I'm sure you understand that.

This is particularly true if the David's Doughnuts™ unit you're considering will be placed within an Indian gambling casino, which involves an entirely different kind of unit than any we've had experience with. Frankly, we have no idea as to the revenues or otherwise such an operation might experience and it's entirely possible that the results you (or anyone else) might achieve may be entirely different, and possibly less favorable, than results achieved in the past by other David's Doughnuts™ units.

The bottom line is that we're unable to make any representation or guarantee that your company (or anyone else) will (or may) achieve any particular level of results, including any average, specific or other results that may have been disclosed to you.

If anyone has told, or tells, you that you (or anyone else) are likely to achieve any particular results (including, but not limited to, the results which may have been disclosed to you), they weren't and aren't authorized to do so, such statements aren't justified or reliable, you shouldn't rely on them, if you rely on such statements you do so at your own risk and we won't be bound by them.

Perhaps most importantly, remember that past performance for any business is no guarantee of future results.

Finally, we strongly recommend that you speak with current and/or past David's Doughnuts™ Franchisees to determine the suitability of an investment in a David's Doughnuts™ franchise and you should discuss your possible investment with an independent financial advisor, such as an accountant and/or attorney, to assist you in making your decision.

On behalf of yourself, your company and all affiliated persons/companies, you hereby confirm that you have read this entire letter, agree with it and have not relied and will not rely upon any information regarding the financial or other performance of David's Doughnuts™ units which may have been (or may be) received by you or anyone else, in making any decision to purchase, acquire or invest in a David's Doughnuts™ Franchise or otherwise, agree not to disclose or use such information and will forever keep it strictly confidential.

Please sign in the space provided below and return one copy of this letter to me in the enclosed pre-addressed envelope.

Sincerely yours,

Gabriella Armanterez  
President

xc: Holmes & Lofstrom, LLP.  
File  
Chron..

Understood and Agreed:

By \_\_\_\_\_  
Michael Smith

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*This material is presented for training and discussion purposes only. It should **not** be used or relied on without first consulting an attorney who is an experienced franchise law specialist, and discussing with him/her the facts and applicable law.*  
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