SUMMARY OF INDEPENDENT INVESTIGATION

by the

SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS

of

KRISPY KREME DOUGHNUTS, INC.

August 10, 2005

The Special Committee of the Board of Directors (the "Special Committee") of Krispy Kreme Doughnuts, Inc. (the "Company" or "KKD") has completed its independent investigation and has prepared a comprehensive report (the "Report"), which has been presented to the Company's Board of Directors (the "Board"). The following is a summary of the conclusions and directions for remedial action set forth in the Report. As part of the Special Committee's continuing cooperation with ongoing investigations by the United States Securities and Exchange Commission (the "SEC") and the United States Attorney's Office for the Southern District of New York (the "U.S. Attorney's Office"), the Special Committee has made the Report available to these regulators, but is not publicly disclosing the Report in its entirety at this time.

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Conclusions

1. Management Tone and Environment

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A review of the key corporate position of Chief Financial Officer ("CFO") highlights the problems at the Company. The CFO position turned over three times in four years. The first CFO of KKD as a public company retired shortly after the IPO. Tate served as the Company's second CFO for a relatively brief period (October 2000 to January 2002) before becoming COO. When Tate became COO in January 2002 (serving until August 2004), Randy S. Casstevens ("Casstevens") was promoted from Senior Vice President of Finance and Corporate Treasurer to CFO. By all accounts, including his own, Casstevens was a poor choice for that position. He made it known during his first year as CFO that he was uncomfortable in the role and that he felt he was better suited to a controller-type position. Nevertheless, Casstevens remained as CFO until the end of December 2003. During fiscal 2003 and 2004, when the accounting errors discussed below occurred, neither Tate nor Casstevens provided the leadership and supervision over the finance and accounting functions that one would expect from a COO and CFO, respectively.

A review of another key corporate position, General Counsel, is similarly troubling. For KKD's first two years as a public company, it had no General Counsel. Even when a General Counsel joined the Company, he was not extensively involved in the franchise acquisitions or preparation of the Company's public disclosures.

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3. Management's Failure to Adequately Inform the Board

In seeking Board approval for the franchise acquisitions, senior management … made brief slide presentations at Board meetings; generally, hard copies of the presentations were not circulated in advance of or after the meetings. The presentations contained certain metrics used in evaluating the acquisitions (EBITDA, pricing multiples, etc.), but little detailed analysis. The brief analyses have a "back of the envelope" feel; certainly, they were not the kind of detailed presentations directors who are being asked to approve material transactions should have received.

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4. *The Board's Performance*

Our investigation left us with the impression that the Board did not oversee management's processes and decisions with an appropriately skeptical eye. The Board seems to have been distracted from its critical oversight role by the Company's apparent early success, the momentum of the Company's rising stock price and the charisma and control of Livengood.

Early in our investigation, it became clear to us that the Company's accounting resources have been, and remain, severely strained. The Audit Committee was aware of this weakness prior to our investigation and had expressed concern to senior management. We believe, however, that the Audit Committee and the Board should have insisted that management strengthen the Company's accounting resources and expertise as a matter of greater urgency, and should have more effectively overseen management's efforts and timetable for rectifying this weakness.

In our view, the Board should have promptly addressed the issues of CFO turnover and the absence of a General Counsel for two years.

While we heard complaints by some Board members about a lack of timely, meaningful information, it does not appear that the Board forcefully sought more detailed and timely reports from management.

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