FRANCHISE DISCLOSURE DOCUMENT

BB FRANCHISE, LLC
(a California limited liability company)
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BB Franchise, LLC, offers for sale a franchise to operate a distinctive retail ice cream sandwich store under the trade name "The Baked Bear". The Baked Bear specializes in selling custom ice cream sandwiches, including cookie and brownie ice cream sandwiches. The Baked Bear also offers a variety of other desserts, including, but not limited to, cookies, ice cream, warm cookie pies, floats**,** and ice cream sundaes.

The total investment necessary to begin operations of a single Baked Bear Store franchise ranges from $279,548 to $870,839. This amount includes $36,209 that must be paid to the franchisor or an affiliate. The total investment necessary to begin operations of a Baked Bear Store franchise pursuant to an Area Development Agreement, which requires development of a minimum of three (3) Baked Bear Stores, ranges from $328,548 to $919,839. This includes $85,209 that must be paid to the franchisor or its affiliate.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payments 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 Robert Robbins, at BB Franchise, LLC, 4516 Mission Blvd., Suite C, San Diego, California 92109; (858) 354-5819; and rob@thebakedbear.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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.

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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 I and J.
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 C 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 THE BAKED BEAR 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's it like to be a THE BAKED BEAR franchisee?	Item 20 or Exhibits I and J list 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 D.

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. 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 California than in your own state.

2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (See Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

THE BAKED BEAR
FRANCHISE DISCLOSURE DOCUMENT
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ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, words such as "we," "us," "our," "Franchisor" or "The Baked Bear" refer to BB Franchise, LLC, the franchisor. Words such as "you," "your" and "Franchisee" refer to the purchaser of a Baked Bear Store franchise.

Franchisor, Parent and Affiliates

We are a California limited liability company that was formed on July 14, 2014. We conduct business exclusively under the name "The Baked Bear." Our principal place of business is 4516 Mission Blvd, Suite C, San Diego, California 92109. Our telephone number is (858) 354-5819. We began offering The Baked Bear Store franchises in October 2014. We do not operate a business of the type we franchise. We have never offered franchises in any other line of business.

We have no parents or predecessors. We have one affiliate, The Baked Bear, LLC.

Our affiliate, The Baked Bear, LLC, ("Licensor") is a California limited liability company formed on January 29, 2013. Licensor currently owns and operates one (1) Baked Bear business of the type we franchise. Licensor opened its first Baked Bear Store in May 2013. Its principal place of business is 4516 Mission Boulevard, Suite C, San Diego, California 92109. Licensor has never offered franchises in any line of business.

Pursuant to a license agreement dated September 26, 2014 (the "License Agreement"), we are licensed by Licensor to use "The Baked Bear Custom Ice Cream Sandwiches", "The Baked Bear", and "Baked Bear" trade names, trademarks and service marks (collectively, the "Marks") to grant franchises in California and elsewhere.

Agent for Service of Process

The names and address of our agents for service of process are listed in **Exhibit D** to this Disclosure Document.

The Business We Offer

We offer for sale a franchise to operate a distinctive retail ice cream sandwich store that specializes in custom ice cream sandwiches and a wide range of other desserts (the "Baked Bear Store") under the terms of a franchise agreement (the "Franchise Agreement"). The Baked Bear Stores are typically 1,000 to 1,500 square feet and usually located in dense urban areas, including high-traffic, tourist-oriented locations. We may, however, consider alternative sites on a case-by-case basis.

The Franchise Agreement authorizes you to use the Marks in connection with your operation of a Baked Bear Store. The Baked Bear Stores are established and operated under a comprehensive design that includes, but is not limited to, various business techniques and methods, trade secrets (including recipes), copyrights, ingredient lists, confidential and proprietary information and other intellectual property rights specifications and procedures for operations; quality customer service; management and financial control; training and assistance; and advertising and promotional programs (the "System"). The System's standards, specifications and procedures (collectively, the "System Standards") are described in

our confidential operations manual (the "Manual"). The System, System Standards, and the Manual may be changed, improved and further developed by us.

You will sell custom-made ice cream sandwiches, including cookie and brownie ice cream sandwiches, and freshly baked gourmet cookies, ice cream, cookie pies, floats, and sundaes according to our recipes and the System at the Baked Bear Store. You will sell all, and only the food and beverage products and other items, which are part of the Baked Bear standard menu.

In addition to selling food and beverage products at the Baked Bear Store, you may also operate a temporary, short-term mobile location offering the Baked Bear products at sporting events or similar events for a period of one (1) day without our prior written approval. If you wish to operate the temporary, mobile location beyond one (1) day, you must obtain our prior written approval. The temporary mobile location must be within 10 miles of the Baked Bear Store and not in another Baked Bear Franchisee's Protected Radius.

Subject to our prior written approval and the execution of a Food Truck Addendum to the Franchise Agreement, we may permit an existing franchisee to operate a franchisor-approved mobile vehicle or similar unit (a "Food Truck") associated with a specific Baked Bear Store. A Food Truck is ancillary to the Baked Bear Store and does not constitute a separate franchise or an additional Authorized Location. Food Trucks may sell approved Baked Bear products in accordance with the System and our operational standard.

We offer the right to establish and operate a single Baked Bear Store pursuant to the terms of the Franchise Agreement. The Franchise Agreement is signed by us, by you, and by those of your principals whom we designate as the principal franchisee-operator(s) (the "Designated Operator(s)") of the Baked Bear Store. The Designated Operator(s) (there may be up to two such individuals but only one address to which we communicate regarding the franchise) named in the Franchise Agreement have the authority to act for you in all matters relating to the Baked Bear Store, including voting responsibilities.

In addition to offering franchises for individual Baked Bear Stores, we offer the right to develop and operate a minimum of three (3) Baked Bear Stores under the form of an area development agreement attached as **Exhibit B** (the "Area Development Agreement"). The development schedule included in the Area Development Agreement (the "Development Schedule") will specify the dates by which you must open each Baked Bear Store. For each Baked Bear Store you develop under an Area Development Agreement, you will sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Disclosure Document. The number of Baked Bear Stores, the development area and schedule must be agreed upon by us prior to execution of the Area Development Agreement. Before the execution of each Franchise Agreement, we will deliver to you a Disclosure Document describing the terms of our then-current Franchise Agreement and provide you with other relevant information.

Franchisees may be individuals or entities which meet our then-current requirements for non-individual franchisees (or Area Developers). These requirements may include the signing of personal guarantees (Exhibit 5 to the Franchise Agreement) by some or all of the individuals holding an equity interest in the Franchisee or Area Developer. In addition, you, and each affiliate who has a currently effective Franchise Agreement with us, must sign a General Release, in substantially the form attached as **Exhibit G** to this Disclosure Document, as a condition to entering into a new Franchise Agreement.

This Disclosure Document sets forth the terms and conditions on which we currently offer franchises in this state. We reserve the right, in our sole discretion, to award, or not award, a Baked Bear Store franchise to you, regardless of the stage of the franchise award process, costs expended by you or otherwise. Also, there may be instances in which we will vary the terms on which we offer franchises to suit circumstances of a specific transaction.

Market and Competition

The Baked Bear Stores will compete with various established national, regional and local ice cream, yogurt and frozen dessert shops and bakeries, as well as retail stores and take-out facilities selling cookies and frozen confection products. The market is well development, somewhat seasonal and very competitive. Revenues are normally higher in the second and third calendar quarters of each year and lower in the first and fourth calendar quarters of each year.

Franchisee Referral Program

We currently offer a national franchisee referral program (the "Franchisee Referral Program") that provides existing Baked Bear Franchisees the opportunity to earn an incentive of $5,000 for each new qualified candidate they refer/introduce to us, who meets our criteria for approval as a Baked Bear Franchisee, and who executes a Franchise Agreement and pays the applicable Initial Franchise Fee for a Baked Bear Store within twelve (12) months of the date we receive the referral. All existing Baked Bear Franchisees, who are in good standing, are eligible to participate. Only one Franchisee may receive the $5,000 referral incentive for each qualified candidate. This program is not intended to supplement or amend the Franchise Agreement or any other agreement and does not create any additional rights for Franchisee or any third party. We may change or eliminate this program at any time without notification. Franchisees are not our sales agents and are not authorized by us to qualify the Baked Bear franchise candidates or to make statements on our behalf relating to the financial performance or prospects for success in operating the Baked Bear Store. Under the Franchisee Referral Program, existing franchisees are merely referring/introducing prospects to us. We are solely responsible for the new franchisee qualification process and, if applicable, the sales process.

Applicable Regulations

You must comply with federal, state, and local health and environmental safety regulations concerning the proper handling, cooking and serving of food products. These regulations may include menu labeling laws, laws relating to the storage of food, use of appropriate cooking temperatures, and laws which affect how you train and supervise your staff. You must also comply with all applicable federal and state employment laws, as well as building code laws which may affect how your unit looks, what signs you may display, and the amount and type of parking, drive-thru or hours of operation that you may keep. California and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of the Baked Bear Store, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the Authorized Location; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for Stores; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) govern the

use of mobile and temporary food facilities; and (f) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in ice cream parlors. The Food and Drug Administration's *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA.

The Health Care Reform Bills that became law in March 2010 contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 restaurants. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. Other states and cities may have laws similar to these laws. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Baked Bear Store. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating the Baked Bear Store and should consider both their effect and cost of compliance.

Some municipalities or other authorities have adopted or are considering regulations requiring the disclosure and posting of certain nutritional or other information on menu boards or otherwise within ice cream stores. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Baked Bear Store.

The Payment Card Industry Data Security Standard ("PCI DSS") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI DSS applies to all merchants, regardless of size or number of transactions that accept, transmit or store any cardholder data.

ITEM 2 BUSINESS EXPERIENCE

Co-Founder, Director, Chief Executive Officer, and President of Sales and Development: Robert Robbins

Mr. Robbins has been a Member of our Board of Directors, our Chief Executive Officer, and our President of Sales and Development since our inception. He concurrently is a co-owner and operator of the company-owned Baked Bear Store located in San Diego, California, and has held this position since February 2013.

Co-Founder and Director: Shane Stanger

Mr. Stanger has been a Member of our Board of Directors since our inception. From July 2014 to November 2020, he served as our Co-Chief Executive Officer, and President of Operations and Marketing. He concurrently is a co-owner and operator of the company-owned Baked Bear Store location in San Diego, California, and has held this position since February 2013.

Vice President: Katie Robbins

Ms. Robbins has been our Vice President since December 2021. She was our Director of Operations from April 2021 to November 2021. Prior to that, she served as the General Manager for our affiliate, The Baked Bear, LLC, from October 2018 to March 2021, in San Diego, California. Katie is the sister of our Co-Founder and CEO, Robert Robbins.

Director of Operations: Austin Green

Mr. Green has been our Director of Operations since November 2021. He was the General Manager and Franchise Consultant at American Pizza Manufacturing located in La Jolla, California, from May 2020 to July 2021. He was unemployed from August 2021 to November 2021. All positions listed above for Mr. Green are/were located in San Diego, California, unless otherwise noted.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Franchise Agreement

Initial Franchise Fee. You must pay us a lump sum, initial franchise fee (the "Initial Franchise Fee") in the amount of $35,000 to establish a single Baked Bear Store under a Franchise Agreement. If you are an existing Baked Bear Franchisee purchasing an additional Baked Bear Store, the Initial Franchisee Fee will be reduced to $28,000 for each additional Store you purchase. The Initial Franchise Fee is payable upon execution of the Franchise Agreement. It is fully earned by us when paid and is not refundable, in whole or in part, under any circumstances.

Area Development Agreement

Development Fee. If you wish to develop three (3) or more Baked Bear Stores, you will sign an Area Development Agreement. At the signing of the Area Development Agreement, you will pay us a lump sum development fee ("Development Fee") in an amount equal to $28,000 multiplied by the number of Baked Bear Stores to be opened under the terms of the Area Development Agreement. The Development Fee is fully earned by us when paid and is not refundable, in whole or in part, under any circumstances.

Each time you sign a Franchise Agreement for a Baked Bear Store, we will credit the amount paid for that Baked Bear Store as part of the Development Fee against the amount of the Initial Franchise Fee owed for the Baked Bear Store. The Initial Franchise Fee due for each Baked bear Store developed pursuant to an Area Development Agreement is $28,000.

ITEM 6 OTHER FEES

TYPE OF FEE [1]	AMOUNT	DUE DATE	REMARKS
Royalty Fee	6% of Gross Sales [2]	Payable monthly by the 10th day of the month following the month in which the Royalties were earned.	If any state imposes sales or other taxes on the royalty fees, then we have the right to collect this tax from you.
Marketing Fund Contribution	Currently, no fee. When a Marketing Fund is established, up to 1.5% of Gross Sales[2]	Paid in the same manner as Royalty Fees	If we establish a Marketing Fund, you will be required to begin making a Marketing Fund Contribution upon 30 days' written notice from us. We can increase or decrease this amount upon 30 days' notice to you, but no increase will be more than 1.5% of your Gross Sales[2].
Local Advertising	No less than 1% of monthly Gross Sales [2] (Including $2,000 - $6,000 annually, on promotional events.)	As incurred.	Spent at your discretion on local advertising and promotional activities; but you must participate, at your cost, in all promotional events we designate in your market area. Each month, you must complete and submit to us report forms to show you have fulfilled your monthly requirement for local advertising.
Additional Training [3]	Your travel, lodging and meal expenses.	As incurred.	We do not currently charge you a fee for additional training for you and/or your managers; however, you are responsible for the travel and living expenses incurred by you and your employees while attending training.
Additional Grand Opening Assistance	$400 per day, plus, our travel and living expenses.	30 days after billing.	Payable only if you request additional Grand Opening assistance beyond the 6 days we provide to you at no charge.
Transfer Fee for Franchise Agreement[4]	50% of the then-current Initial Franchise Fee (Currently, $17,500)	When proposed transfer is presented to Franchisor for approval.	This fee is payable to us if you sale or transfer the franchise. No charge if franchise transferred to an entity you control. This fee is subject to state law.

TYPE OF FEE [1]	AMOUNT	DUE DATE	REMARKS
Assignment Fee for Area Development Agreement	Our incurred legal fees.	On submitting an application for consent to assignment.	Payable when you want to sell/ transfer the rights under your Area Development Agreement.
Interest on Late Payments	A rate equal to the lesser of 18% per annum or the maximum rate allowed by law (10% annually in California)	Payment on Demand	Interest on all amounts owed us beginning from the date of the underpayment to the date of payment.
Insurance Reimbursement [5]	Amount of unpaid premium. Our estimate for 3 months of the minimum required insurance is $600 - $1,600	Must have the policies within 60 calendar days after signing the Franchise Agreement, but no later than the time that you acquire the site for you The Baked Bear	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Renewal Fee	$1,000	30 days before renewal.	
Audit Fees [6]	All actual costs we incur in connection with the audit.	As incurred	Payable only if audit is done because of your failure to furnish required reports and information on a timely basis.
Cost of Enforcement or Defense	Actual costs, including attorneys' fees and court costs.	Upon settlement or conclusion of claim or action.	You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement if we prevail.
Indemnification	Actual costs, including amounts paid to third parties and our attorneys' fees, which will vary depending on the nature of the claim.	Upon settlement or conclusion of claim or action.	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business or your activities as an Area Developer.
Upgrades and Maintenance [7]	$100 to $10,000	At time of modification.	You will make these expenditures as we require to comply with our System Standards and modifications to the System. You will only be required to remodel the Baked Bear Store once, upon renewal. Payable to third-party suppliers.

TYPE OF FEE [1]	AMOUNT	DUE DATE	REMARKS
Alternative Supplier Approval [8]	$1,500 per day for personnel engaged in evaluating a supplier.	At time of request.	Additionally, you must reimburse us for any travel, accommodations, and meal expenses.
Gift Card Program [9]	3% of the amount loaded onto each gift card, plus the cost of the gift cards, which is currently $147 per 500 cards.	As incurred.	You must participate in our Gift Card Program. Gift Cards will be available for sale and redemption at any Baked Bear Store in the System. You will pay this fee directly to our approved supplier of the Gift Card Program.
Social Media Management Fee [10]	$100 per month	Monthly	You will pay us this fee to manage the content on the local Facebook page for your Baked Bear Store.
Social Media Ad Budget[11]	$250 per month	Monthly	You will pay us this fee, which we will spend on regional Instagram and TikTok ads.
Non-compliance Fees	Up to $500 per occurrence, or per week until compliance is achieved.	As incurred	We may charge you a fee, at our sole discretion, if you fail to comply with the terms of the Franchise Agreement or Manual or fail to participate in any special marketing and advertising promotions required by us.
POS System Transaction Processing Fee	2.4% of the transaction amount, plus 5 cents.	As incurred	You will pay this fee to the approved supplier of the POS System.
Cloud Marketing Platform Fee[12]	$53 per month	Monthly	You will pay us this fee for the "SOCi" comarketing cloud platform that we use to manage the online listings of the Baked Bear Stores and for local searches, social media, ads, customer reviews, surveys, etc.
Liquidated Damages for Compromising the Secure Access to the Manual	$10,000	As incurred.	If you in any way compromise the secure access to the online version of the Manual, including, allowing unauthorized users access to the Manual and its confidential contents, you will be required to pay us this amount to compensate us for the breach

TYPE OF FEE [1]	AMOUNT	DUE DATE	REMARKS
			and related damage to the System.
Food Truck Fee[13] (Optional)	$10,000	At signing of the Food Truck Addendum.	One-time fee paid to us for approval to operate a franchisor-approved Food Truck associated with your Baked Bear Store.

Notes to Chart:

(1) General. All fees are uniformly imposed by and are payable to us. All fees are non-refundable. You must participate in our electronic funds transfer program if we require it. If we require it, you must sign and deliver to us an unconditional, irrevocable authorization to enable our financial institution to debit bank accounts at your bank in order to pay us any Royalties, and other amounts that you may owe us under the Franchise Agreement or any other agreement between you and us. All Royalty Fees, advertising and marketing fees, if any, and other amounts due us must be received by us or credited to our account by pre-authorized bank debit before 5:00 p.m. on the day each such payment is due.

(2) Gross Sales. The term "Gross Sales" means and includes the total actual gross charges for all products and services sold to customers of the Baked Bear Store, for cash or credit, whether such sales are made at or from the premises of the Baked Bear Store, or any other location or other channels of distribution, including, but not limited to, income related to take-out orders, third-party online ordering and/or delivery aggregators, catering, and temporary promotions and events, and sales generated from any food truck operated in connection with the Baked Bear Store, but excluding: (i) sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authority; (ii) amounts refunded to customers for cancelled, undelivered, or materially defective orders, including refunds issued by third-party online ordering and/or delivery aggregators, to the extent such refunded amounts are not ultimately received by you, and are documented by platform or POS reports reasonably acceptable to us; and (iii) third-party delivery fees charged by online ordering and/or delivery aggregator.

(3) Additional Training. If at any time after completion of the initial training, you request additional training for you or any of your supervisorial or managerial personnel or employ new supervisorial or managerial personnel requiring training, you are responsible for the costs you and your employees incur in attending such training at our headquarters, including travel, lodging, meals, employee wages, etc.

(4) Transfer Fee for Franchise Agreement. This fee will be used to defray expenses incurred by us in connection with the transfer, including our legal and accounting fees, overhead, credit and other investigation charges, and evaluation of the transferee and terms of the transfer. If the proposed transfer is not approved by us, we will refund this fee minus any administrative costs incurred by us to review the proposed transfer and evaluate the prospective transferee. If the transfer is approved, the Transfer Fee will cover the cost of the initial training program for the transferee/new franchisee and its designated supervisorial or managerial personnel. The transferee/new franchisee is responsible for all travel, lodging, food, wages, and other expenses it and its supervisorial or managerial personnel incur in attending the initial training program.

(5) Insurance Reimbursement. The minimum limits for coverage under many policies will vary depending on several factors, including the size of the Baked Bear Store. See Item 8 of this Disclosure Document for our minimum insurance requirements.

(6) Audit Fees. Actual costs relating to the audit will include, without limitation, travel, lodging, wage expenses and reasonable accounting and legal expenses. These costs will be in addition to any other remedies that we may have under the Franchise Agreement or law.

(7) Upgrades and Maintenance. You must promptly repair or replace defective, worn-out or obsolete equipment, signage, fixtures or any other item of the interior or exterior of the Baked Bear Store that is in need of repair, refurbishing or redecorating in accordance with our established standards, which may be updated from time to time, or as may be required by your lease. You will only have to remodel the Baked Bear Store once, upon renewal of the Franchise Agreement to conform it to our then-current standards and image. We may change or modify the System that is presently identified by the Marks including, the adoption and use of new or modified Marks or copyrighted materials. You may be responsible for any reasonable conversion costs.

(8) Alternative Supplier Approval. You may request the approval of an item, product, service or supplier. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal.

(9) Gift Card Program. You must obtain gift cards and related services from an approved supplier designated by us. The supplier currently charges a fee equal to 3% of the dollar value loaded onto each gift card. The supplier may also charge additional fees for physical gift cards or related materials. Under our Gift Card Program, you will report weekly to us the total amounts for all gift card "sales" and "redemptions" transactions with your customers. You will keep the total proceeds from gift card "sales" in your account until the gift card is redeemed. We will reconcile your account with us by: (1) crediting you for the full value of all gift card transactions redeemed by you weekly from other Baked Bear Stores that issued the gift cards; and/or (2) debiting you for the full value of each gift card sold at your Baked Bear Store but redeemed at a different location. Upon termination of your Franchise Agreement and non-renewal, you must pay us the full value of any outstanding gift cards sold at your Baked Bear Store that were not redeemed before the termination of your Franchise Agreement.

(10) Social Media Management Fee. We will use this fee to pay for costs associated with the planning, crafting, and publishing of content on the Facebook page for your Baked Bear Store, including, among other things, the hiring of a videographer.

(11) Social Media Ad Budget. We will use this fee exclusively for regional advertising of the Baked Bear brand and Stores on Instagram and TikTok. This is a "pass-through" fee; we collect and pay this fee directly to third-party suppliers/vendors for placing advertisements on Instagram and TikTok. We do not derive any revenue from this fee.

(12) Cloud Marketing Platform Fee. This is a "pass-through" fee; we collect and pay this fee directly to the third-party supplier, SOCi, Inc. We do not derive any revenue from this fee.

(13) Food Truck Fee. If we approve you to operate a Food Truck associated with your Baked Bear Store, you must pay us a one-time Food Truck Fee of $10,000 when you sign the Food Truck Addendum to the Franchise Agreement. Currently, only existing franchisees that (i) operate at least two

Baked Bear Stores or (ii) have entered into an Area Development Agreement requiring the development of at least two Baked Bear Stores are eligible to operate a Food Truck. In addition, at least one of your Baked Bear Stores must have been open and operating for at least 4 months before we will approve your request to purchase or operate a Food Truck, and you must be in compliance with your Franchise Agreement at the time you request approval. Food Truck operations are governed by the Food Truck Addendum attached as Exhibit 10 to the Franchise Agreement.

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ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A BAKED BEAR STORE

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee[1]	$35,000	Lump Sum	At signing of Franchise Agreement	Us
Travel and Living Expenses while Training [2]	$5,000 - $30,000	As arranged	As incurred during training	Transportation Carriers, Hotels, etc.
Real Estate/Lease (3 months + deposit)[3]	$8,000 - $49,980	As arranged	At signing of Lease.	Landlord
Build-Out/Leasehold Improvements[4]	$130,400 - $500,000	As arranged	Before Opening	Approved Suppliers, Architects and Contractors
Furniture, Fixtures and Equipment[5]	$50,000 - $130,000	Lump Sum	Before Opening	Approved Suppliers and Vendors
Opening Inventory[6]	$12,300 - $20,000	Lump Sum	Before Opening	Approved Suppliers and Vendors
Signage[7]	$5,000 - $23,000	As arranged	Before Opening	Approved Suppliers
Utility Deposits[8]	$0 - $3,000	As arranged	Before Opening	Utility Suppliers
Business License and Permits[9]	$1,000 - $3,000	As arranged	Before Opening	Local, State or Federal Government
Professional/Legal Fees	$6,000 - $35,000	As arranged	As incurred, varied times.	Lawyers, Accountants, Architects Etc.
Computer, POS System, Security System, Office Equipment[10]	$3,900 - $6,900	As arranged	Before and After Opening	Approved Suppliers, Vendors and Us
Insurance [11]	$1,239 - $2,250	As arranged	Before Opening	Insurance Carrier
Grand Opening Marketing[12]	$500 - $1,500	As arranged	Within 30 days of opening.	Approved Suppliers and Vendors
Social Media Ad Fees[13] (3 Months)	$1,209	Electronic Funds Transfer	Monthly, after opening.	Us
Additional Funds[14] (3 Months)	$20,000 - $30,000	As arranged	As incurred, varied times	Employees, Vendors, Utilities
TOTAL ESTIMATED INITIAL INVESTMENT	**$279,548 - $870,839**			

All amounts are non-refundable unless otherwise noted. Amounts payable to suppliers/vendors may be refundable according to arrangements you make with the vendor.

YOUR ESTIMATED INITIAL INVESTMENT PURSUANT TO AN AREA DEVELOPMENT AGREEMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee[1]	$84,000	Lump Sum	At signing of Area Development Agreement	Us
Travel and Living Expenses while Training [2]	$5,000 - $30,000	As arranged	As incurred during training	Transportation Carriers, Hotels, etc.
Real Estate/Lease (3 months + deposit)[3]	$8,000 - $49,980	As arranged	At signing of Lease.	Landlord
Build-Out/Leasehold Improvements[4]	$130,400 - $500,000	As arranged	Before Opening	Approved Suppliers, Architects and Contractors
Furniture, Fixtures and Equipment[5]	$50,000 - $130,000	Lump Sum	Before Opening	Approved Suppliers and Vendors
Opening Inventory[6]	$12,300 - $20,000	Lump Sum	Before Opening	Approved Suppliers and Vendors
Signage[7]	$5,000 - $23,000	As arranged	Before Opening	Approved Suppliers
Utility Deposits[8]	$0 - $3,000	As arranged	Before Opening	Utility Suppliers
Business License and Permits[9]	$1,000 - $3,000	As arranged	Before Opening	Local, State or Federal Government
Professional/Legal Fees	$6,000 - $35,000	As arranged	As incurred, varied times.	Lawyers, Accountants, Architects Etc.
Computer, POS System, Security System, Office Equipment[10]	$3,900 - $6,900	As arranged	Before Opening	Approved Suppliers, Vendors, and Us.
Insurance [11]	$1,239 - $2,250	As arranged	Before Opening	Insurance Carrier
Grand Opening Marketing[12]	$500 - $1,500	As arranged	Within 30 days of opening.	Approved Suppliers and Vendors
Social Media Fees[13] (3 Months)	$1,209	Electronic Funds Transfer	Monthly, after opening.	Us
Additional Funds[14] (3 Months)	$20,000 - $30,000	As arranged	As incurred, varied times	Employees, Vendors, Utilities
TOTAL ESTIMATED INITIAL INVESTMENT	**$328,548 - $919,839**			

All amounts are non-refundable unless otherwise noted. Amounts payable to suppliers/vendors may be refundable according to arrangements you make with the vendor.

NOTES TO CHARTS FOR YOUR INITIAL INVESTMENT:

(1) Initial Franchise Fee and Development Fee. The Initial Franchise Fee for a single Baked Bear Store is $35,000. If you are an existing Baked Bear Franchisee purchasing another Store, the Initial Franchise Fee will be reduced to $28,000. The Development Fee is $84,000 for the required minimum 3 Baked Bear Stores developed under the Area Development Agreement and is due and payable in a lump sum at the signing of the Area Development Agreement. The Initial Franchise Fee and the Development Fee are not refundable. The figures in the Area Development Agreement chart above do not reflect the $28,000 credit we grant you against the Initial Franchise Fee you must pay when signing each Franchise Agreement. If you choose to develop additional Baked Bear Stores beyond the required minimum 3 in your Development Area, you must pay us an additional $28,000 Development Fee for each additional Baked Bear Store. The Initial Franchise Fee and the Development Fee are described in Item 5 of this Disclosure Document.

(2) Travel and Living Expenses while Training. As described in Item 11, we will train you (or your Designate Operator if you are an entity) and/or your General Manager and two to three of your supervisorial or managerial personnel (e.g., assistant managers) at no charge, but you must all attend the training at the same time. You are responsible for the wages, travel, and living expenses of the attendees. The amount you will spend while training will depend on several factors, including the number of persons attending, the distance you must travel and the type of accommodations you choose, if any are needed.

(3) Real Estate/Lease. You must lease or purchase land and a building for the operation of the Baked Bear Store. The typical Baked Bear Store is composed of a building having an area of approximately 1,000 to 1,500 square feet located in dense urban areas, including high-traffic, tourist-oriented locations. These figures assume base monthly rental rates ranging from $2.00 to $8.33 per square foot. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. Such rent normally ranges between eight percent (8%) and twelve percent (12%) of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges"), your pro rata share of the real estate taxes and insurance, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Baked Bear Store, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic area. You may also be required to pay a security deposit equal to a month's rent. This estimate covers the first 3 months of operation and 1 month's rent as a security deposit. The cost of the real estate, if purchased, varies significantly from location to location.

(4) Build-Out/Leasehold Improvements. This estimate is based on our experience and the actual costs experienced by our franchisees in building their Baked Bear Stores. Your costs will differ depending upon many factors, including, without limitation, square footage, location/geographic area, market climate, labor market (e.g., prevailing wage rates, union labor restrictions, etc.), type and condition of the facility/leased premises, and price differences between various suppliers and contractors, as does the cost of construction of the improvements. Additionally, if you choose finishes or design details that are different than our recommended package (e.g., more expensive tiles or surfaces, raised ceilings, etc.) your costs will increase. Any change orders initiated by you during the construction process will also increase your costs, often significantly. If you lease in a historic site or an older building, you may also face significantly increased costs for special construction needs. The costs (range) associated with the Build-Out/Real Estate Leasehold Improvements in the above chart are based on a site that will be in a "vanilla shell" condition. This includes, but is not limited to, having a concrete floor, demising walls in

place that are taped and sanded, a suspended ceiling with grid and ceiling panels, 2x4 fluorescent lights per a minimum of 1 per 100 square feet, storefront with ADA accessible entry/door, 36 inch minimum wide rear door, ADA compliant bathroom, 200 amp electrical panel with service throughout the space, HVAC in place that operates at a minimum 1 ton per 150 square feet, electrical service to the storefront bulkhead for exterior sign hook-up and water and sewer services in place. The costs of leasehold improvements are your sole responsibility and will vary depending upon your negotiations with the landlord or third parties prior to occupancy, or they may be financed through the landlord or third parties. You may be able to negotiate for "tenant improvement" allowances that can help to reduce your net construction costs. Some locations, because they are unique or in desirable, high traffic areas, may not offer any discounts or tenant improvement allowances. This is an important factor for you to consider in choosing a location. You should research potential tenant improvement costs with your real estate broker and prospective landlord and consult with a qualified, licensed contractor for cost estimates specific to your site before signing your lease. You are responsible for obtaining all necessary permits and licenses required for the location, construction, renovation, or operation of the Baked Bear Store.

(5) Furniture, Fixtures and Equipment. You must equip the Baked Bear Store with all of the equipment, fixtures, smallwares, and furnishings that we require for the opening and operation of the Baked Bear Store. Generally, a portion of the fixtures and equipment must be purchased from designated suppliers and the balance must conform to our specifications. You must use an equipment services provider approved by us to receive, warehouse, deliver, uncrate, and set in place the equipment required for the Baked Bear Store. Depending upon the size of the Baked Bear Store, the existing supplies of such fixtures and equipment and the number of vendors then selling the fixtures and equipment, the quantity, types of and prices of fixtures and equipment may vary. Payment and refund terms will have to be negotiated between the supplier and you.

(6) Opening Inventory. In order to open the Baked Bear Store, you will be obligated to purchase an initial inventory of food (e.g., ice cream, cookie dough, and toppings) and paper supplies. The inventory items, quantity, and price may vary based upon the availability of the supplies, the number of vendors selling such items, your distance from the distributor, volumes that you purchase, and other factors. These costs are based on those experienced by our existing franchised Baked Bear Stores. Payment terms for such items are usually cash on delivery or payment within a specified number of days (usually no more than thirty (30) days) after delivery. None of the designated or suggested suppliers of such items are affiliated with us.

(7) Signage. You will need to purchase appropriate signage for the Baked Bear Store that we approve. The cost of your signage may be more or less than this estimate, and depends on the size, type and method of installation you choose. Each location may have different restrictions it places on interior and exterior signage that may affect your costs.

(8) Utility Deposits. Typically, a utility deposit will be required only if you are a new customer of the utility company.

(9) Business License and Permits. The range of costs covers the expense to acquire the required local business permits. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the Baked Bear Store. Our estimated costs include building permits, fire inspection, sales tax permit, and retail sales permits. If an electrical permit is necessary, the costs may be more. You should investigate applicable requirements in

your area and the related costs, including receiving advice from regulatory agencies and your own lawyer, before making any commitments, whether to us or anyone else.

(10) Computer, POS System, Security System, Office Equipment. You must acquire a computer and point-of-sale ("POS") reporting system, for use in the operation of the Baked Bear Store to manage all of your scheduling, ordering, emails, etc. Your computer system must be equipped with a high-speed connection to the Internet and must include a local area network with a dedicated server. You must install and use the electronic data processing and communications hardware and software, including voicemail, business management software, and a POS system designated by us. The range disclosed in the table(s) above includes the estimated costs for a Square Register with iPad, 2 full POS System setups, a security system, phone system, sound system, and 3 months of Internet service. Please see Item 11 of this Disclosure Document for more information on the Computer System.

(11) Insurance. This estimate is for 3 months of your minimum required insurance. The actual cost may be more than shown here. You will need to check with your insurance carrier for actual premium quotes and costs, and for the actual amount of deposit. Insurance costs can vary widely, based on the area in which your business is located, your experience with the insurance carrier, the loss experience of the carrier, the amount of deductibles and of coverage, and other factors beyond our control. You should obtain appropriate advice from your own insurance professional before signing any binding documents or making any investments or other commitments, whether to us or anyone else.

(12) Grand Opening Marketing. Within 30 days of opening the Baked Bear Store, you must spend this amount on "Grand Opening" advertising, marketing, and promotion.

(13) Social Media Fees. This includes three (3) months of fees that you will pay us for your (i) Social Media Management Fees ($100 per month) for managing the content on your Baked Bear Store Facebook page; (ii) Social Media Ad Budget Fees ($250 per month) for regional advertising on Instagram and TikTok; and (iii) Cloud Marketing Platform Fee ($53 per month) for the "SOCi" comarketing cloud platform. You will pay these fees to us, and we will pay the applicable suppliers and vendors.

(14) Additional Funds. This is an estimate of certain funds needed to cover your business (not personal) expenses during the first three months of operation of the Baked Bear Store. These expenses include initial employee wages, management compensation (but not any draw or salary for you), ongoing purchases of products and supplies, local advertising, utilities, and repairs and maintenance. This estimate is based on our principals' and affiliate's experience in owning and operating a Baked Bear Store for nearly 13 years.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods

You must purchase your ice cream, cookies and brownies, drink products, paper products, toppings, towels, floor mats, furniture, large-ware and small-ware equipment, and other required products and supplies used in the Baked Bear Store from suppliers that we approve ("Approved Suppliers"), which may include us or an affiliate of ours, or under specifications in the Manual. These specifications include standards for performance, maintenance, design, and appearance. We may also require that certain equipment for the Baked Bear Store be received, warehoused, delivered, uncrated and set in place by an equipment services provider that we approve.

We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. These suppliers may include, and may be limited to, us or an affiliate of ours. We are currently the only Approved Supplier of the social media management services that you are required to use to manage the content on the Facebook page for your Baked Bear Store. Other than the social media management services, neither we nor our affiliate are currently an Approved Supplier of any product or service that you are required to purchase. On notice by us, you will immediately cease and desist from using/offering any equipment, products, and/or services otherwise not authorized by us.

We may modify our specifications and may add new specifications in writing. We will provide you with the names of these Approved Suppliers. You may purchase these items from any supplier whose product, service or equipment meets our specifications.

Approval of Alternate Suppliers

You can request the approval of an item, product, service or supplier by notifying us in writing and submitting such information and/or materials we may request. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal. These charges may include reimbursement for reasonable travel, accommodations and meal expenses, plus a fee of $1,500 per day for any personnel who are engaged in evaluating a supplier at your request. We will notify you in writing of our approval or disapproval within 90 days after you make a written request. (Franchise Agreement, Section 6.8C.)

We may condition and/or revoke our approval of particular items or suppliers as we choose. Our criteria for supplier approval are available to you upon request. Designation of a supplier may be conditioned on factors established by us in our business judgment, including, without limitation, performance relating to quality of results, accuracy of results, frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may approve, or revoke or deny approval, of particular items or suppliers in our business judgment. We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. There is no assurance that we will designate more than one supplier for any item, including items for which we are the only designated supplier.

Food Truck Operations

If we approve you to operate a Food Truck associated with your Baked Bear Store, the vehicle, equipment, layout, and branding used in connection with the Food Truck must comply with our specifications and are subject to our prior approval. We may establish specifications and standards for Food Trucks and related equipment, products, and supplies.

Insurance

You are obligated to obtain and maintain, at your sole expense, all of the insurance coverages that we require. Your policy or policies must be written by an insurance company licensed in the state in which you operate the Baked Bear Store. The insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide, in accordance with standards and specifications set forth in the Manual. The standards may vary depending on the size of your Baked Bear Store and/or other factors, such as what is customary for businesses of your type in your area, but we typically require: (i) All "Risks"

or "Special" form coverage insurance on the Baked Bear Store's glass, equipment, fixtures and leasehold improvements and other property used in the operation of the Baked Bear Store; (ii) Workers' Compensation and Employer's Liability Insurance as required by law; (iii) Commercial General Liability Insurance with limits of $2,000,000 in the aggregate, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring you and us against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the franchised business; (iv) Business Interruption Insurance with coverage for a least 12 months for actual losses; (v) Automobile Liability Insurance for owned and non-owned automobiles including personal injury, wrongful death, and property damage with single limit coverage of at least $1,000,000; and (vi) Cyber Liability Insurance with a minimum coverage amount as set forth in the Manual and/or otherwise determined by Franchisor and communicated to Franchisee.

We reserve the right from time to time to upgrade the insurance requirements as to policy limits, deductibles, scope of coverage, rating of carriers, etc. We will provide you with written notice of any change in our insurance requirements. You will have 60 days from receipt of such notice to revise your coverage, as specified in the notice.

Your insurance must name us as an additional insured and contain a clause requiring notice to us thirty (30) days in advance of any cancellation or material change to any such policy. The "Additional Insured Endorsement" must be approved in writing by us. You must maintain such additional insured status for us on your general liability policies continuously during the term of the Franchise Agreement.

Revenues from a Supplier

Currently, neither we nor our affiliate derive revenue from any Approved Supplier or other suppliers. We have the right to receive promotional allowances and rebates, commissions, and other consideration from suppliers.

Revenue from Franchisee Purchases

We will derive revenue from the Social Media Management Fees that we collect directly from our franchisees. We do not currently derive any other revenue from franchisees directly purchasing or leasing products from us. In connection with providing social media management services, we may incur third-party costs and may earn a profit or incur a loss.

During our fiscal year ended December 31, 2025, our revenues from required purchases by the Baked Bear franchisees of social media management services from us were $34,500, or 2.06% of our total revenue of $1,673,890. We estimate that your required purchases, purchases from designated/approved suppliers and purchases that must meet our specifications in total will be about 76% to 84% of your total purchases to establish the Baked Bear Store and about 80% to 100% of your purchases to continue the operation of the Baked Bear Store.

Negotiated Prices

We intend to negotiate purchase arrangements with vendors and suppliers for the benefit of our affiliates and franchisees. There are no purchasing or distribution cooperatives, but franchisees will

typically receive the same price discount as the Baked Bear Store owned and operated by our affiliate.

Material Benefits

We do not provide material benefits to you, for example, renewal or granting additional franchises, based on your purchase of particular products or services or use of particular suppliers, but the offer or sale of any products or services not approved by us shall constitute a material breach of the Franchise Agreement.

Our Ownership Interest in a Supplier

We are the Approved Supplier for the social media management services that you are required to use in the operation of your Baked Bear Store. Our Co-Founders, Robert Robbins and Shane Stanger, and our Vice President, Katie Robbins, have an ownership interest in us.

Computer System

You must acquire the computer system that we specify, including computer hardware and software, business management systems, and a point-of-sale ("POS") reporting system. The computer system is described in more detail in Item 11 of this Disclosure Document.

Credit Cards

You are required to honor all credit, charge, courtesy and cash cards that we approve in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with the sale of products and services at the Baked Bear Store, you are required to maintain the security of cardholder data and adhere to the then-current credit card security standards which can be found at www.pcisecuritystandards.org for the protection of cardholder data throughout the term of your Franchise Agreement. You are responsible for the security of cardholder data in your possession or control and in the possession or control of any of your employees that you engage to process credit cards. You must, if we request that you do so, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all your employees. In the event of a breach or intrusion of or otherwise unauthorized access to cardholder data, you must immediately notify us in the manner required in the PCI DSS requirements and provide an approved third-party full access to conduct a thorough security review following a security intrusion.

Cooperatives

We do not currently operate or sponsor any purchasing cooperatives, but we plan to organize one or more in the future. When possible, we attempt to negotiate bulk purchasing discounts with suppliers on behalf of our franchisees.

Area Development Agreement

The Area Development Agreement does not require you to buy or lease from us or any designated or approved suppliers, any goods, services, supplies, fixtures, computer hardware and software, or real estate, according to our specifications. However, you must follow our requirements under the Franchise Agreement for each Baked Bear Store you develop.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement 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 and Area Development Agreement	Disclosure Document Item
a. Site Selection and acquisition/lease	Sections 1.2, 6.1, 6.2 and 7.2 of Franchise Agreement Section I(a) and Exhibit A of Area Development Agreement	Items 7 and 11
b. Pre-opening purchases/leases	Sections 6.1, 6.2, 7.2 and 8.4 of Franchise Agreement None in Area Development Agreement	Items 7and 8
c. Site development and other pre-opening requirements	Sections 6.1 and 6.2 of Franchise Agreement Section VI of Area Development Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Sections 6.3, 6.4 and 6.5 of Franchise Agreement None in Area Development Agreement	Item 11
e. Opening	Sections 2.2 and 6.9 of Franchise Agreement None in Area Development Agreement	Item 11
f. Fees	Sections 3.2, 5, 9.1 and 14.2 of Franchise Agreement Section III of Area Development Agreement	Items 5, 6, and 7
g. Compliance with standards and policies / Operating Manual	Sections 1.2, 2.2, 4.2, 6.4, 6.6, 6.7, 7.1, 7.3, 7.4, 8.7 and 9.3 of Franchise Agreement Section VI of Area Development Agreement	Item 11
h. Trademarks and proprietary information	Sections 1.1, 4, 12.1, 15.2 and 15.4 of Franchise Agreement Section VII of Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.3, 2.1, 2.2, 7.1, 8.1 and 8.4 of Franchise Agreement None in Area Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 8.8 and 15.2 of Franchise Agreement None in Area Development Agreement	Not applicable

Obligation	Section in Franchise Agreement and Area Development Agreement	Disclosure Document Item
k. Territorial development and sales quotas	Section 8.8 of Franchise Agreement Section IV of Area Development Agreement	Not applicable
l. Ongoing product/service purchases	Sections 8.4 and 10.3 of Franchise Agreement None in Area Development Agreement	Not applicable
m. Maintenance, appearance and remodeling requirements	Sections 3.2 and 7.4 of Franchise Agreement None in Area Development Agreement	Not applicable
n. Insurance	Section 10.5 of Franchise Agreement None in Area Development Agreement	Item 7
o. Advertising	Sections 5.4, 5.5, and 9 of Franchise Agreement None in Area Development Agreement	Items 6 and 11
p. Indemnification	Sections 8.5 and 11.2 of Franchise Agreement Section XII of Area Development Agreement	Not applicable
q. Owner's participation/ management/staffing	Sections 6.3 and 8.6 of Franchise Agreement None in Area Development Agreement	Item 11
r. Records and reports	Sections 10.1 and 10.3 of Franchise Agreement None in Area Development Agreement	Item 6
s. Inspections and audits	Sections 8.2 and 10.2 of Franchise Agreement None in Area Development Agreement	Item 6
t. Transfer	Section 14 of Franchise Agreement Section IX of Area Development Agreement	Item 17
u. Renewal	Section 3.2 of Franchise Agreement None in Area Development Agreement	Item 17
v. Post-termination obligations	Sections 13.1 and 15.4 of Franchise Agreement Section X of Area Development Agreement	Item 17
w. Non-competition covenants	Sections 12.2 and 13 of Franchise Agreement Section X of Area Development Agreement	Item 17
x. Dispute resolution	Section 16 of Franchise Agreement Section XIX of Area Development Agreement	Item 17

Obligation	Section in Franchise Agreement and Area Development Agreement	Disclosure Document Item
y. Other: Guarantee of Performance	Section 2.2B. and Exhibit 5 of Franchise Agreement Section XX and Exhibit C of Area Development Agreement	Item 15

ITEM 10 FINANCING

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

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

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

A. <u>Pre-Opening Assistance</u>

Before you open the Baked Bear Store:

1. We will approve or disapprove a site for the Baked Bear Store. We will assist you in selecting a mutually acceptable site. (Franchise Agreement, Section 6.1) Our approval will be based upon suitability for use as a bakery/ice cream sandwich shop, population, spending habits, food and beverage sales of existing ice cream stores and other demographic data.

2. We will provide you (or if you are a business entity, the Designated Operator named in your Franchise Agreement) and/or your Store's designated manager ("General Manager") and two (2) to three (3) of your supervisorial or managerial personnel (e.g., assistant managers) with our initial training program; provided, however, you and your employees attend the course simultaneously. We do not charge for this training, but you must pay the travel, lodging, living, and payroll expenses incurred in connection with such training. (Franchise Agreement, Section 6.3)

3. We will provide you with consultation and advice on your Grand Opening advertising, marketing and promotion for the Baked Bear Store. (Franchise Agreement, Sections 6.10 and 9.5)

4. We will license you the use of our trademarks. (Franchise Agreement, Section 4.2).

5. We will send at least three of our representatives (two representatives if you are an existing Baked Bear Franchisee) to your franchised location to provide opening training and assistance for you and your employees for up to 6 days at no charge to you. If you request additional assistance after the 6 days, we will charge you a fee of $400 per day, plus the additional travel and living expenses of our training representative. (Franchise Agreement, Section 6.4)

6. We may assist you in the construction, design, planning and installation of the Baked Bear Store. We will function in a consulting capacity only and will not be responsible for overseeing the day-to-day construction of the Baked Bear Store or acting as construction manager. We do not own and lease the premises to you. The Baked Bear Store location will be purchased or leased by you from an independent third party. After you have acquired or executed a lease for the Authorized Location, we will

provide you with written specifications and standards for building, equipment, furnishings, fixtures, layout, design and signs relating to the Baked Bear Store. We will also provide you with an "Equipment Index," which will provide written guidelines for purchasing or leasing equipment, signage, fixtures, opening inventory and supplies, and a list of Approved Suppliers from whom you will purchase such items from directly. We do not provide, deliver or install any of these items for or to you. (Franchise Agreement, Section 6.2)

B. Our Obligations During the Operation of the Franchised Business

During the operation of the Baked Bear Store:

1. At your request, we will provide additional training to you and your supervisorial or managerial personnel at our headquarters at no charge to you. However, you are responsible for the travel and living expenses incurred by you and your employees while attending the training. (Franchise Agreement, Section 6.5)

2. We will provide continuing advisory assistance and information to you in the development and operation of the Baked Bear Store, as we deem advisable. We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. (Franchise Agreement, Section 6.7)

3. We may, subject to the laws in your state, require fixed minimum or maximum prices for any products or services offered at the Baked Bear Store. We will take into account cost differences among regions and localities. You must use the pricing required by us, unless we consent to changes in local pricing offered by you. (Franchise Agreement, Section 6.9)

4. We will specify or approve certain products, services, and suppliers to be used in the Baked Bear Store. (Franchise Agreement, Section 6.8)

5. We will lend you a copy of our confidential operations Manual. The Manual may be provided electronically, in which case, we will grant you online access to an electronic version of the Manual during the term of the Franchise Agreement. If you in any way compromise the secure access to the online version of the Manual, including, allowing unauthorized users access to the Manual and its confidential contents, you will be required to pay us liquidated damages in the amount of $10,000, to compensate us for the breach and related damage to the System. You must strictly comply with the Manual in operating the Baked Bear Store. We can change the Manual and you must comply with those changes when you receive them, but they will not materially change your rights and obligations under the Franchise Agreement. (Franchise Agreement, Section 6.6)

6. We will manage the customer gift card program (the "Gift Card Program") among the Baked Bear Store franchisees and affiliated companies. (Franchise Agreement, Section 10.4)

7. We will maintain and administer a national Marketing Fund when/if we establish one. (Franchise Agreement, Section 9.3)

8. We will manage the content on the local Facebook page for your Baked Bear Store and place regional advertisements on Instagram and TikTok. You will pay us a Social Media Management Fee

($100 per month) and a Social Media Ad Budget Fee ($250 per month) for these services and advertising costs. (Franchise Agreement, Section 9.6)

9. (Optional) Food Truck Operations. Subject to our prior written approval and the execution of a Food Truck Addendum to the Franchise Agreement, we may authorize an existing franchisee to operate a franchisor-approved mobile vehicle or similar unit (a "Food Truck") associated with a Baked Bear Store. Currently, a franchisee may operate a Food Truck only if it either (i) operates at least two Baked Bear Stores or (ii) has entered into an Area Development Agreement requiring the development of at least two Baked Bear Stores. In addition, at least one Baked Bear Store must have been open and operating for at least four months before a Food Truck may begin operations. If we approve Food Truck operations, we will review and approve the vehicle, layout, equipment, and branding used in connection with the Food Truck. Food Truck operations must comply with our System standards and operational requirements, including those contained in the Manual and any additional standards or guidance we may establish from time to time. A Food Truck is ancillary to the Baked Bear Store and does not constitute a separate franchise or an additional Authorized Location. (Franchise Agreement, Section 8.6 and Exhibit 10)

C. Site Selection

We don't select the site for the Baked Bear Store, but we do approve the site. You select the site for the Baked Bear Store that complies with the Franchise Agreement and must receive our approval of your proposed location. We may, at your request, work closely with and assist you in site selection and the review and negotiation of your lease by furnishing you with our confidential site evaluation criteria, by consulting with and counseling you and at our discretion, conducting field inspections of proposed sites at mutually convenient times. Factors we consider in approving sites are demographics, density of population, proximity to high schools and college campuses, traffic patterns and others. [Franchise Agreement, Sections 6.1 and 15.2 (1)(j)]

We will advise you whether a proposed site is approved within approximately 30 days after receipt of the Location Report, Site Plan, and demographic report on the area and information relative to the site and location. Depending upon the completeness of the information provided, the process may take less than 30 days or longer than 30 days; if more than 30 days is required, you will be advised in writing as to the reasons for the delay. If we are not able to agree upon a site for the Baked Bear Store, we may terminate the Franchise Agreement. (Franchise Agreement, Section 6.1) We will not unreasonably withhold our approval to a location proposed by you. We can terminate your Franchise Agreement if you fail to open your Baked Bear Store within 18 months from the date of your Franchise Agreement. (Franchise Agreement, Section 1.2)

If you sign an Area Development Agreement, you will submit a separate Location Report for site approval for each Baked Bear Store to be established within your Designated Territory, and our then-current standards for site selection will apply. Factors we consider in approving sites are demographics, density of population, proximity to high schools and college campuses, traffic patterns and others. We will advise you whether a proposed site is approved within approximately 30 days after receipt of the Location Report, Site Plan, and demographic report on the area and information relative to the site and location. Depending upon the completeness of the information provided, the process may take less than 30 days or longer than 30 days; if more than 30 days is required, you will be advised in writing as to the reasons for the delay.

D. Typical Length of Time before Operation

We anticipate that the typical length of time between the earlier of the signing of the Franchise Agreement or the first payment of consideration for the franchise and the opening of the Baked Bear Store will be 12 to 18 months. Factors that may affect the opening time period include your ability to locate a site, obtain a lease, financing or building permits, zoning and local ordinances, approval of health plans, and construction delays. We currently require all Grand Openings to be held on a weekend and we limit the Grand Openings to one per weekend throughout the System. You must be open for business no later than 18 months after we accept your signed Franchise Agreement.

If you are operating under an Area Development Agreement, you must open multiple stores according to your development schedule, which may extend over several years, depending on the number of stores you have committed to develop.

E. Computer System

You must acquire a computer for use in the operation of the Baked Bear Store. You must install and use the electronic data processing and communications hardware and software, including voicemail, business management systems, and an online point-of-sale reporting system ("POS System"), as designated by us (collectively, the "Computer System"). The Computer System must be equipped with a high-speed connection to the Internet and must include a local area network with a dedicated server.

You must purchase a Square Register with an iPad for your POS System, which is part of the Computer System. We require each Baked Bear Store to purchase two (2) full POS System setups. You may either have both set up or have one as a backup in case one breaks. You are responsible for purchasing the hardware through the "Square" website, www.squareup.com/stand. We will help you set up an account with Square as well as train you proficiently. The cost of each POS System through our approved supplier is about $1,219, which includes the iPad Air, square stand, register and receipt printer. The cost for the required Computer System, which includes 2 POS Systems (approximately $2,438), computer hardware and software, a security system, phone system, sound system, and 3 months of Internet service, ranges from $3,900 to $6,900. There are no annual POS software support or maintenance costs; the approved supplier of the POS System does not charge you for updates or support but will charge you a transaction processing fee equal to 2.4%, plus 5 cents per transaction.

We will have independent access to information you generate and store on your POS System. The POS System is designed to enable us to have immediate access to the information monitored by the System, and there is no contractual limitation on our access or use of the information we obtain.

We reserve the right to require you to update or upgrade any computer hardware or software during the term of the franchise, and if we choose to do so, there are no limitations on the cost and frequency of this obligation. Neither we nor our supplier have a specific obligation to you to maintain, repair, update or upgrade your Computer System. That is your sole obligation.

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, and communication systems into conformity with our then-current standards for new Baked Bear Stores.

F. Advertising

Marketing Fund

We may establish a "Marketing Fund" in the future to promote the Baked Bear Stores and the Baked Bear Brand. When and if the Marketing Fund is established, you will be required to make a contribution ("Marketing Fund Contribution") in an amount up to one and one-half percent (1.5%) of your annual Gross Sales to the Marketing Fund. You will pay the Marketing Fund Contribution to us at the same time and in the same manner as the Royalty Fee. The Marketing Fund Contribution may be increased or decreased, at our discretion, but no increase will exceed one and one-half percent (1.5%) of your Gross Sales. We will give you at least thirty (30) days written notice before any increase in the Marketing Fund Contribution. All franchisees will contribute at the same rate. We will make contributions to the Marketing Fund for Baked Bear Stores owned by us or our affiliates on the same basis as Baked Bear franchisees. We will manage the Marketing Fund and have sole discretion over all matters relating to it.

Once established, the Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the Internet; administration expenses; legal fees incurred by or spent defending the Marketing Fund, brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Baked Bear Stores; agency and consulting services; research, any expenses approved by Franchisor and associated with franchisee advisory groups (if any); and all or portions of the salaries, benefits or expenses of people Franchisor employs who work on Marketing Fund matters (except that such salaries, benefits or expenses will be charged pro rata based on the time they spend on Marketing Fund matters.) (Franchise Agreement, Sections 6.10 and 9.3)

No funds in the Marketing Fund will be used for advertising that is principally a solicitation for the sale of franchises, but we may include a brief statement regarding the availability of the Baked Bear Store franchises in advertising and other items produced using the Marketing Fund. (Franchise Agreement, Section 9.3)

We have no obligation to ensure that Marketing Fund Contributions are spent on advertising in your market area or territory, and we have no obligation to ensure that your Baked Bear Store benefits directly or on a pro rata basis from the placement of any advertising. (Franchise Agreement, Section 9.3 B.)

We anticipate that advertising will be national and regional in scope, but until we establish a national advertising campaign, all contributions to the Marketing Fund will be spent in your own specified region.

Advertising may be prepared in-house or by a national or regional advertising agency.

Any sums paid to the Marketing Fund that are not spent in the year they are collected will be carried over to the following year.

We will prepare, and furnish to you upon written request, an annual, unaudited statement of funds collected and costs incurred. We are not required to have the Advertising Fund statements audited,

but if we do so, any related accounting/auditing costs will be paid by the Marketing Fund. (Franchise Agreement, Section 9.3)

Advertising Cooperative

We have no plans to create a local or regional advertising cooperative. We do not require you to join or participate in any local or regional advertising cooperative.

Regional Advertising on Social Media

We currently require you to pay us a monthly "Social Media Ad Budget" fee in the amount of $250, which we use exclusively for regional advertising on Instagram and TikTok. This is a "pass-through" fee; we collect and pay this fee directly to the third-party suppliers/vendors for placing advertisements on Instagram and TikTok. We do not derive any revenue from this fee. We may increase or decrease this fee upon thirty (30) days' notice to you.

Local Advertising

We have no obligation to spend any amount on advertising in the area or territory in which your Baked Bear Store is located. You are responsible for local marketing activities to attract customers to your Store. Examples of local advertising include billboards, newspaper ads, bench signs, promotional activities, community event and youth sports team sponsorships, charitable sponsorships, radio, cable and television.

You will spend at least one percent (1%) of your monthly Gross Sales on local advertising to support the Baked Bear Store. How you spend the money is at your discretion; however, you must participate, at your cost, in all promotions we designate for the market in which the Baked Bear Store is located, including quarterly events, such as, Customer Appreciation Day, contests, themed events, and our annual Teddy Bear Drive. We anticipate that you will spend approximately $2,000 to $6,000 per year on these promotional events. You may apply your minimum required spending on local advertising (1% of monthly Gross Sales) to your promotional events expenditures. You will be responsible for displaying all in-shop materials and the cost of products being promoted.

You may develop advertising materials for your own use, at your own cost. You must submit copies/samples of all advertising and promotional activities material to us that you propose to use in advance and obtain our written approval before using the advertising and promotional activities material. (Franchise Agreement, Sections 5.5 and 9.4) You must not use any materials or programs disapproved by us.

You must strictly follow the social media guidelines, code of conduct, and etiquette as set forth in the Manual regarding social media activities. Any use of "Social Media" (a network of services such as blogs, microblogs, Facebook, LinkedIn, Instagram, TikTok, YouTube, Flickr, and the like) pertaining to the Baked Bear Store must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. We reserve the right to "occupy" any Social Media websites/pages and be the sole provider of information regarding the Baked Bear Stores on such websites/pages (e.g., a system-wide Facebook page). At our request, you will promptly modify or remove any online communication pertaining to the Baked Bear Store that does not comply with the Franchise Agreement or the Manual. (Franchise Agreement, Section 9.6) We will manage the social media content on the Facebook page for your Baked Bear Store and charge you a Social Media Management Fee, which is currently $100 per

month, for our services. We will place regional advertisements on Instagram and TikTok and you will pay us a Social Media Ad Budget Fee of $250 per month for these services and advertising costs.

Grand Opening Marketing

Within thirty (30) days of the opening of the Baked Bear Store, you will spend for Grand Opening advertising, marketing, and promotion (collectively, "Grand Opening Marketing") a minimum of Five Hundred Dollars ($500). We encourage you to spend up to One Thousand Five-Hundred Dollars ($1,500) on the Grand Opening Marketing. The Grand Opening must be conducted in the form and using the advertising and promotional campaign and materials that we reasonably designate or approve. (Franchise Agreement, Section 9.5)

Franchisee Advisory Council

We reserve the right, if necessary and in our sole judgment, to establish a Franchisee Advertising Council. The Franchisee Advertising Council will be composed of an elected body of franchisees for the purpose of providing us with input on advertising and marketing issues. The Franchisee Advertising Council will operate under its own by-laws and will be purely advisory in nature and will have no operational or decision-making authority. (Franchise Agreement, Section 9.7)

G. Operations Manual

As stated above, we lend you one copy of the Manual during the term of your Franchise Agreement. The Manual contains our mandatory and suggested specifications, standards and operating procedures and is made up of our entire collection of manuals, guidelines, standards and specifications provided to you relating to the development, design, construction and operation of the Baked Bear Store. If there is any dispute concerning the contents of the Manual, the terms of the master copy of the Manual maintained at our principal office will control. As of the date of this Disclosure Document, the Manual consists of approximately 113 pages. Its table of contents is attached to this Disclosure Document as **EXHIBIT F.** (Franchise Agreement, Section 6.6)

H. Training Program

Before the opening of the Baked Bear Store, we will provide you (or your Designated Operator if you are a business entity) and/or your General Manager, and two (2) to three (3) of your supervisorial or managerial personnel (e.g., assistant managers) with Initial Training at our training facility, located in San Diego, California. We do not charge you a fee for the Initial Training Program if you and your employees receive training at the same time.

The Initial Training Program is conducted after the signing of the Franchise Agreement and the signing of your lease for your Baked Bear Store, and it must be completed between 1 and 3 weeks before the opening of the Baked Bear Store. The length of the Initial Training Program is approximately 10 days. It consists of a combination of classroom training at our headquarters located in San Diego, California, or such other location as we may designate (e.g., your Baked Bear Store), and on the job training conducted at the Baked Bear Store owned by our affiliate or such other training facilities designated by us. The initial training will cover basic aspects of establishing and operating the Baked Bear Store, including a point-of-sale computer system ("POS System"), recipes, forms, costs and cash control, purchasing, inventory control and disposition, customer service, marketing, selling skills, employee hiring, training and scheduling procedures, job functions and maintenance of quality standards.

All of the required Initial Training is mandatory for either you (or your Designated Operator) or your General Manager, and two (2) to three (3) of your supervisorial or managerial personnel. If you are an existing Baked Bear Franchisee opening an additional Baked Bear Store, the training will be the same as the then-current initial training requirements for a new Baked Bear franchisee; however, we may, at our sole discretion, reduce the amount of initial training required for you (or your Designated Operator), your General Manager, and your assistant managers, based upon each individual's prior training and experience. If you are an existing Baked Bear franchisee replacing the Designated Operator (in your Franchise Agreement) or your General Manager, our training requirements for that individual are the same as the then-current initial training requirements for a new Baked Bear franchisee; however, we may, at our sole discretion, reduce the amount of initial training required, based upon the individual's prior training and experience.

Training requirements are communicated and updated through periodic memos, publications and manuals. The following is an outline of the current Training Program:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Product Making/Baking (Food Products)	1	37	Our corporate headquarters located in San Diego, California (or at a location later designated by us)
POS System (iPad)	1	15	Our corporate headquarters located in San Diego, California (or at a location later designated by us)
Management Duties	1	37	Our corporate headquarters located in San Diego, California (or at a location later designated by us)
Marketing	1	0	Our corporate headquarters located in San Diego, California (or at a location later designated by us)
Admin (Ordering)	1	0	Our corporate headquarters located in San Diego, California (or at a location later designated by us)
Total	**5**	**89**	

You (or your Designated Operator if you are an entity) or your General Manager, and two to three of your assistant managers must satisfactorily complete the Initial Training Program to our satisfaction within the timeframe we establish. To satisfactorily complete our initial training program, you must attend all the scheduled training and pass the written test given at the end of the training with a score of 90% or higher. You are responsible for all travel, lodging, food, wages, wage related expenses, and other expenses in connection with your training and your supervisorial or managerial personnel. All supervisorial or managerial personnel employed after the initial Baked Bear Store is opened will be required to complete the Initial Training Program within 30 days following the commencement date of

employment, at a location we designate. (Franchise Agreement, Section 6.3)

All training will be under the direction of Robert Robbins and Katie Robbins. Please see Item 2 for their biographies. Mr. Robbins has more than 13 years of experience in the ice cream sandwich industry and 11 years with us. Ms. Robbins has more than 14 years of experience in the food and restaurant industry and more than 7 years with us and our affiliate. We will offer the Initial Training on an as-needed basis, which we anticipate being quarterly. Our primary instruction is through lecture, hands-on training, the Manual and other instructional materials we prepare specifically for the Baked Bear Training Program.

If at any time after completion of the Initial Training, you request additional training for you or any of your supervisorial or managerial personnel or employ new supervisorial or managerial personnel requiring training, you will attend such training at our headquarters. We do not charge you a fee for additional training; however, you are responsible for the costs you and your employees incur in attending such training at our headquarters, including travel, lodging, meals, employee wages, etc. (Franchise Agreement, Section 6.5)

If warranted by government regulations, emergency guidelines, enforced quarantines, travel restrictions, a natural disaster, force majeure or other event outside of our control, we reserve the right to conduct any and all training, classes, courses, meetings, and conferences, online, telephonically, or otherwise, or to cancel or delay any and all such training, classes, courses, meetings, and conferences. (Franchise Agreement, Section 6.3)

Grand Opening Training/Assistance

We will provide you with training and assistance at the grand opening of your Store ("Grand Opening"). If this is your first Baked Bear Store, we will send at least three of our representatives for 6 days to train and assist you and your employees in the Grand Opening of the Store at our expense. If this is your second Baked Bear Store, we will send at least two of our representatives to train and assist you at the Grand Opening for 5 to 6 days, and if this is your third or more Bake Bear Store, we will provide Grand Opening training and assistance for 4 to 6 days at our expense. If you require Grand Opening assistance from us at the Store for more than 6 days, we will charge you a fee of $400 for each additional day, plus our additional travel and living expenses beyond the initial 6 days.

In order to manage our resources and personnel, we have the right to set the date for the Grand Opening of your Baked Bear Store (the "Grand Opening Date"). Currently, we limit Grand Openings to one opening every other week throughout the System. The Grand Opening Date for your Bake Bear Store will be scheduled based on (i) the timing of the final inspections of your Baked Bear Store; (ii) our representatives' availability; and (iii) the scheduling of Grand Openings with other Baked Bear Stores. We require at least 10 days from the date you receive approval of all final inspections and are issued a Certificate of Occupancy to set your Grand Opening Date. Grand Openings will be prioritized by whichever Baked Bear Store receives its final approval of all inspections and is issued a Certificate of Occupancy first. (Franchise Agreement, Section 6.4)

I. Gift Card Program

We have instituted a program for all Baked Bear Franchisees to sell, issue, or redeem gift cards (the "Gift Card Program"). You must participate by offering Baked Bear gift cards to your customers and/or honoring all Baked Bear gift cards presented to you as payment for products and services,

regardless of whether the gift card was sold or issued by you or another Baked Bear Store. When you sell or issue a gift card, you will keep the amount paid in your account until the gift card is redeemed. We will reconcile your account with us by: (1) crediting you for the full value of all gift card transactions redeemed by you weekly from other Baked Bear Stores that issued the gift cards; and/or (2) debiting you for the full value of each gift card sold at your Baked Bear Store but redeemed at a different location. You will pay Royalties on sales paid by redeemed gift cards in your Baked Bear Store. The Baked Bear gift cards have no expiration date; therefore, you remain liable for each gift card sold at your Baked Bear Store upon it is redeemed for an undetermined amount of time. If your Franchise Agreement is terminated and not renewed, you must pay us the full value of any outstanding gift cards sold at your Baked Bear Store that were not redeemed before the termination of your Franchise Agreement.

ITEM 12 TERRITORY

Franchise Agreement

You will operate the Baked Bear Store at a specific location approved by us (an "Authorized Location"). You must receive our permission before relocating the Store. If we consent to you relocating the Store, the new Authorized Location must be within the same Designated Market Area (specifically defined in Section 1.3 of the Franchise Agreement) in which the Store was located. You must execute our standard form of general release upon any relocation. You will bear the sole expense of relocating the Store, and we have the right to charge you a reasonable fee for our services in connection with any such relocation.

You will receive a non-exclusive protected radius ("Protected Radius") around your Authorized Location. Depending on a number of factors, your Protected Radius will range from one and one-half (1½) to five (5) miles. We will analyze a market or territory using a number of factors including population density, income, traffic patterns, number of residences versus businesses, and will determine with you the Protected Radius, prior to executing the Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If you have been granted a Protected Radius, neither we nor our affiliates will operate or establish, or authorize another Baked Bear franchisee to operate or establish, a Baked Bear Store within your Protected Radius. You may face competition from other franchisees, from Baked Bear Stores that we own, or from other competitive brands that we control outside your Protected Radius.

Except as expressly provided in the Franchise Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise of present or future Baked Bear Stores, using any of the other brands or Marks that we now, or in the future, may offer, and we may operate or license Baked Bear Stores or distribution channels of any type, licensed, franchised or company-owned, regardless of their location or proximity to the Premises and whether or not they provide services similar to those that you offer. You do not have any rights, including options, rights of first refusal, or other similar rights, with respect to acquiring additional franchises and/or related businesses, products and/or services, in which we may be involved, now or in the future.

You, other Baked Bear Franchisees, we, and our affiliates are not prohibited from soliciting prospective customers wherever we live or work. As such, you are not prevented from soliciting

customers who live or work inside the protected territories granted to other Baked Bear Franchisees, or territories held by us, or our affiliates. Similarly, other Baked Bear Franchisees, we, and our affiliates are not prohibited from soliciting customers who live or work within your Protected Radius. However, you may only sell and provide the Baked Bear products and services from the Authorized Location, except as expressly permitted if we approve you to operate a Food Truck pursuant to the Food Truck Addendum to the Franchise Agreement. You are not entitled to any compensation, allowance, payment or other consideration on account of any customers who live or work within your Protected Radius and who become customers of Baked Bear Stores owned by others.

If we approve you to operate a Food Truck associated with your Baked Bear Store, the Food Truck may operate outside the Protected Radius granted to your Baked Bear Store. However, a Food Truck may not operate within the Protected Radius granted to another Baked Bear franchisee without our prior written consent. Operation of a Food Truck does not create any additional territory or exclusive rights for you.

The System's use of third-party delivery service providers may result in another franchisee delivering products and/or services within your Protected Radius due to the Baked Bear Store that the customer or the third-party delivery service provider elects to use to fulfill and deliver a customer's online order.

We expressly reserve all other rights, and can (along with anyone we designate):

(1) own and/or operate, and/or authorize others to own and/or operate any kind of business using the Marks we have licensed to you, whether or not using the same Mark; including, without limitation, other franchises, whether or not using the same Mark and System licensed to you.

(2) develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using the System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere.

(3) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Baked Bear Marks and System). You may be responsible for any reasonable conversion costs.

(4) distribute or sell products and services under the Marks through the use of third-party national shipping platforms (e.g., Goldbelly) and third-party delivery platforms (e.g., DoorDash, UberEats, and Postmates), within and outside your Protected Radius.

Internet Sales / Alternative Channels of Commerce

We may sell products and services to customers located anywhere, even if such products and services are similar to what we sell to you and what you offer at the Baked Bear Store. We may use the internet or alternative channels of commerce to sell "The Baked Bear" brand products and services. You may only sell the products and services from your approved Baked Bear Store location, and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted

by us. You are not prohibited from obtaining customers over the Internet provided your Internet presence and content comply with the requirements of the Franchise Agreement.

We do not have to pay you if we exercise any of these options. You do not have any rights of first refusal or rights to acquire additional franchises.

You may not relocate the Baked Bear Store to any other location without our prior written consent. If we approve any relocation of the Baked Bear Store, you must de-identify the former location. If you fail to de-identify your former Baked Bear Store, you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorney's fees, arising out of your failure to de-identify.

If you are not in compliance with all material terms of the Franchise Agreement and the Manual, and current in all accounts to us and our affiliates ("Good Standing"), we may reduce, eliminate or otherwise modify your territorial rights, along with whatever other remedies are then available to us, including Termination.

Area Development Agreement

You will receive a non-exclusive protected area (the "Designated Territory") under an Area Development Agreement. The Designated Territory may be defined by zip code boundaries, county boundaries, highways, physical landforms, city or municipality boundaries and other factors we deem appropriate.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We and our affiliates retain all rights to engage in any and all activities we deem appropriate whenever and wherever we desire, including the right to:

(1) establish and operate, and allow others to establish and operate, Baked Bear Stores using the Marks and the System, at any location outside the Designated Territory, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, competitive businesses that may offer products and services which are identical or similar to products and services offered by Baked Bear Stores, under the Marks or other trade names, trademarks, service marks and commercial symbols different from the Marks;

(3) establish, and allow others to establish, other businesses and distribution channels, including, but not limited to, the Internet (excluding Baked Bear Stores in the Designated Territory), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from the Baked Bear Stores, and that sell products and/or services that are identical or similar to, and/or competitive with, those that the Baked Bear Stores customarily sell;

(4) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Baked Bear Stores, and franchising, licensing or

creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

(5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Baked Bear Stores, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Designated Territory; and

(6) engage in all other activities not expressly prohibited by the Area Development Agreement.

We are not required to pay you if we exercise any of the rights specified above inside your Protected Territory.

You will submit a separate Location Report to us for site approval for each Baked Bear Store to be established within your Designated Territory pursuant to your Area Development Agreement. We will approve or disapprove of the site within 30 days after receipt of the Location Report from you. If we approve your proposed site, it will become the Baked Bear Store authorized location. Upon the signing of a Franchise Agreement for each Baked Bear Store developed, we will define your Protected Radius, if any, as described above in the first paragraph under the heading, "Franchise Agreement." Our then-current standards for site selection and protected territories will apply.

We may reduce the number of Baked Bear Stores to be developed in your Designated Territory if you fail to (i) meet the development schedule under your Area Development Agreement, (ii) fail to comply with any other term or condition of your Area Development Agreement, or (iii) fail to comply with any individual franchise agreement between you and us.

ITEM 13 TRADEMARKS

We grant you the right to operate a Baked Bear Store under the name "The Baked Bear." You may also use other current or future trademarks that we designate to operate the Baked Bear Store. By trademark, we mean trade names, trademarks, service marks, and logos used to identify the Baked Bear Store. The following Marks have been registered by Licensor, The Baked Bear, LLC, on the Principal Register of the United States Patent and Trademark Office, and licensed to us pursuant to a license agreement dated September 26, 2014:

MARK	REGISTRATION NO.	REGISTRATION DATE
	4499384	March 18, 2014 Renewed June 17, 2024
THE BAKED BEAR (Word Mark)	4565086	July 8, 2014 Renewed June 18, 2024

MARK	REGISTRATION NO.	REGISTRATION DATE
COOKIE MONSTERS ONLY (Word Mark)	6098482	July 14, 2020
	6067430	June 2, 2020

Affidavits of use and incontestability will be filed at the time specified by law.

There are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks to you. We have no information regarding any claims of, or agreements with, any third parties relating to the rights to use these trademarks and/or service marks. We have no knowledge of any prior rights or infringing uses that could materially affect your use of the Marks in any state.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor any pending material litigation involving any of the Marks which are relevant to their use in any state. There are no pending interference actions or opposition or cancellation proceedings that significantly limit our rights to use or license the use of the Marks in any manner material to the System.

The Franchise Agreement does not require us or Licensor to protect any of the rights which you have with respect to the Marks. We are not obligated to indemnify you against or to reimburse you for any damages for which you may be held liable in any proceeding arising out of the use of the names or Marks or any costs incurred in the defense of any such claim. The Franchise Agreement also permits us to terminate the Franchise Agreement in the event you do not comply with the quality and operating standards set forth in the Franchise Agreement.

Licensor is the sole owner of certain proprietary rights and information in connection with formulae and recipes for the authorized products sold in and the System for the operation of the Baked Bear Stores. Licensor has granted us a non-exclusive right to use the Marks indefinitely in connection with the granting and operation of the Baked Bear Franchises and to grant a non-exclusive license of these rights to you under the Franchise Agreement. You are required under the terms of the Franchise Agreement to acknowledge that you had no part in the creation or development of such proprietary rights and information and that the same constitute trade secrets owned or licensed by us.

You must use all Marks in compliance with your Franchise Agreement and the Manual. You cannot use the "Baked Bear" name or any of the Marks as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You must not establish a website on the Internet using any domain name containing the Marks or any variation thereof without our written consent. We retain the sole right to advertise on the Internet and create a website using the Marks as domain names.

If it becomes advisable, in our sole discretion, for us to modify or discontinue use of any of the Marks, or use one or more additional or substitute Mark, you must comply with our directions to modify or otherwise discontinue the use of such Mark within a reasonable time after notice by us. We will not be obligated to compensate you for any costs it incurs in connection with any such modification or discontinuance.

You cannot seek to register, re-register, assert claim to ownership of, license or allow others to use or otherwise appropriate to itself any of the Marks or any mark or name confusingly similar to them, except insofar as such action inures to our benefit and has our prior written approval. Upon the termination or cancellation of the Franchise Agreement, you must discontinue use of the Marks, remove copies, replicas, reproductions or simulations thereof from the premises and take all necessary steps to assign, transfer, or surrender to us all Marks which you may have used in connection with the Franchise Agreement.

You must immediately notify us of any apparent infringement of or challenge to your use of the mark. Although not obligated to do so, we will take any action deemed appropriate and will control any litigation or proceeding. You must cooperate with any litigation relating to the Marks which we might undertake.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own any right in or to any patents or copyrights that are material to the franchise. We do, however, claim common-law copyright protection for the Manual. You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the Manual and that you receive in training. There currently are no effective determinations of the Copyright Office (or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. Other than the License Agreement with Licensor, no agreement requires us to protect or defend any copyrights or you in connection with any copyrights.

Confidential Manuals

You must conduct business under your Franchise Agreement in the manner specified in the Manual or any other written or oral communication from us. We may revise the Manual from time to time, and you must comply with each new or changed standard. We will lend you a copy of the Manual after you complete our Initial Training Program. You must treat the Manual and the information contained in it, as confidential. You cannot copy these materials or show them to any unauthorized person. The Manual will remain our sole property.

Confidential Information

In general, our proprietary information includes “Confidential Information” as defined in Section 12 of the Franchise Agreement, some of which is contained in our Operations Manual, and includes, among other things, all information (current and future) relating to the operation of the Baked Bear Stores and System, including, among other things, all: (i) manuals, training, techniques, processes, policies, procedures, systems, data and know how regarding the development, marketing, operation and

franchising of the Baked Bear Store; (ii) designs, specifications and information about products and services and (iii) all information regarding customers and suppliers, including any statistical and/or financial information and all lists. We disclose to you Confidential Information needed for the operation of a Baked Bear Store, and you may learn additional information during the term of your franchise. We have all rights to the Confidential Information and your only interest in the Confidential Information is the right to use it under your Franchise Agreement.

Both during and after the term of your Franchise Agreement, you must use the Confidential Information only for the operation of the Baked Bear Stores under a Franchise Agreement; maintain the confidentiality of the Confidential Information; not make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and (iii) follow all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information. (Franchise Agreement, Section 12)

We may require that you and each of your managers and employees execute covenants of confidentiality that they do not disclose any Confidential Information. We have the right to use and authorize others to use all ideas, techniques, methods and processes relating to the Baked Bear Store that you or your employees conceive or develop.

You also agree to fully and promptly disclose all ideas, techniques and other similar information relating to the franchise business that are conceived or developed by you and/or your employees. We will have a perpetual right to use, and to authorize others to use, those ideas, etc. without compensation or other obligation.

You must also promptly tell us when you learn about the unauthorized use of this proprietary information. We are not obligated to take any action, but we will respond to your notification of unauthorized use as we think appropriate.

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

The Franchise Agreement requires you (or the Designated Operator, as defined in Item 1 of this disclosure document and Section 17.9 of the Franchise Agreement, if Franchisee is an entity) to apply your best full-time efforts to managing the day-to-day operations of the Baked Bear Store. You (or the Designated Operator) must be actively involved in the start-up operations of the Baked Bear Store and must know how to operate each facet of the business. Although we prefer that the Baked Bear Store be under your direct, "on-premises" supervision, you may appoint a General Manager, who is not required to hold any interest in Franchisee but may operate the Baked Bear Store on your behalf, as long as such General Manager has been approved by us and has successfully completed the Initial Training Program to our satisfaction. If Franchisee is not the full-time on-site operator, the General Manager must receive incentive compensation tied to the performance or profitability of the Baked Bear Store. Franchisee retains sole discretion over the hiring, compensation, supervision, and termination of its employees and managers.

Each Baked Bear Store must have a dedicated General Manager responsible for the day-to-day, on-site supervision of that Store. Absent our prior written approval, a General Manager may not concurrently manage, oversee, or be primarily responsible for more than one Baked Bear Store. If you elect to reassign a General Manager from one Baked Bear Store to another, you must ensure that such General Manager is primarily responsible for the day-to-day, on-site supervision of the new Baked Bear

Store for at least twelve (12) months following such reassignment.

Upon our request, you will require the following persons to execute confidentiality and non-compete covenants, in a form satisfactory to us, including covenants applicable upon the termination of a person's relationship with you: (1) all supervisorial or managerial personnel of yours; (2) all officers, directors, members, partners, general partners, limited partners and holders of a beneficial interest of yours; and (3) the spouse of each such person.

If you are a corporation, partnership or limited liability company, each owner of a 10% or more interest in you and their spouse must personally guarantee your obligations under, and be personally bound by, the Franchise Agreement and all other agreements with us or our affiliates and agree to certain restrictions on their ownership interests. See Exhibit 5 of the Franchise Agreement for our standard form of guarantee.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those authorized products ("Authorized Products") and services and deal only with those suppliers that we authorize or approve. You must inventory and sell or offer for sale all menu items, products and services authorized by us.

In conjunction with the offering of new Authorized Products, we may require you to comply with other requirements, such as training, marketing, equipment or small wares purchases, or insurance, before we will allow you to offer the new products.

You may not advertise, offer for sale or sell, any products and/or services that we have not authorized. We reserve the right to add or change the types of Authorized Products at any time in our discretion. There are no limits on our rights to do so.

If we approve you to operate a Food Truck associated with your Baked Bear Store, the Food Truck may only sell Authorized Products and must comply with our product specifications and menu requirements. We may require the Food Truck to offer the same or a limited menu of Authorized Products that we designate.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3.1	Term is 5 years.
b. Renewal or extension of term	Section 3.2	If you are in good standing, you can renew for an additional 5-year term.

Provision	Section in Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	Sections 3.2, 3.3, 3.4	Meet renewal criteria, sign new agreement, be in Good Standing under all agreements, no history of default, sign a general release, pay renewal fee, and remodel. You may be required to sign a franchise agreement with materially different terms and conditions than those in your previous franchise agreement(s) If applicable law requires, we will give you additional notice.
d. Termination by franchisee	Section 15.1	Only if we are in default. You must give us notice and an opportunity to cure any such default. These provisions are subject to applicable state law.
e. Termination by franchisor without cause	Not applicable	Not applicable.
f. Termination by franchisor with cause	Sections 15.2 and 15.3	Material breach of the Franchise Agreement or other agreements, intentional, repeated defaults and others. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.
g. "**Cause**" defined – curable defaults	Section 15.2 (2)	You have 30 days to cure non-payment of fees (except as described below), failure to obtain our written approval or consent, acts that affect the goodwill associated with the Marks, failure to comply with any provision of the franchise agreement, failure to maintain books and records or comply with audit or inspection, failure to directly supervise day to day shop operations, failure of you or your managers to complete initial training, failure to maintain insurance, failure to obtain executed confidentiality and non-compete agreements, offer of unapproved goods or services, non-submission of reports and continued violations of laws regarding operating of your franchised location, and others. You have 10 days from notice to

Provision	Section in Franchise Agreement	Summary
		cure delinquent payment of any amount owed us or our affiliates, or obtain adequate financing to cover development, opening and operation of the Baked Bear Store, failure to pay any amounts when due for construction, leasing, financing, operations or supply of the Baked Bear Store, closure of bank account without notice to us. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.
h. "**Cause**" defined – non-curable defaults	Section 15.2 (1)	Non-curable defaults: bankruptcy, insolvency or appointment of receiver or custodian, material misrepresentation or omission in applying for the franchise, unauthorized direct or indirect transfer, falsification of financial reports or records, abandonment of franchise or loss of lease, conviction or plead no contest to a felony, violation of any health or safety law, ordinance or regulation, or operation of the business in a manner presenting a health or safety hazard, failure to obtain suitable location and open for business within 18 months after signing franchise agreement, failure to comply with non-compete covenants, misuse of the Marks, System or other Confidential Information, repeated defaults even if cured. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.
i. Franchisee's obligation on termination/non-renewal	Sections 15.6, 12 and 13	Obligations include complete de-identification, transfer phone numbers, cease use of Marks, cancel assumed names, assignment of any leasehold interest, certain obligations continue, including non-competition and

Provision	Section in Franchise Agreement	Summary
		confidentiality provisions, payment of amounts due and, in certain instances, payment of a "Termination Fee".
j. Assignment of contract by franchisor	Section 14.7	No restriction on our right to assign.
k. "Transfer" by franchisee definition	Section 14.1	Includes transfer of contract, assets or ownership change.
l. Franchisor approval of transfer by franchisee	Section 14.1	We have the right to approve all transfers but will not unreasonably withhold approval under certain conditions.
m. Conditions for franchisor approval of transfer	Section 14.3	Information regarding prospective Transferee is provided to us. We have not exercised our right of first refusal. New franchisee qualifies, completes initial training, transfer fee and training fees paid, all sums owed have been paid, be in good standing, general release, confidentiality and non-compete agreements signed by you and all shareholders, members and partners, if required, transfer of sublease, personal guarantee by transferee, upgrade, refurbish or repair the premises to conform to our then current standards, and current agreements signed by new franchisee (also, see "n" below), and others. Additional obligations apply to transfer to a corporation or limited liability company.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.2	We have a right of first refusal on any proposed transfer, upon the same terms and conditions offered by the proposed transferee.
o. Franchisor's option to purchase franchisee's business	Section 15.6 (I) (1)	We have the option**,** exercisable by giving 30 days written notice to purchase any and all inventory, equipment, furniture, fixtures, signs, sundries and supplies owned by you and used in the Baked Bear Store, at the lesser of (i) your cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either

Provision	Section in Franchise Agreement	Summary
		case) any outstanding liabilities of the Baked Bear Store. In addition, we have the option to assume your lease for the lease location of the Baked Bear Store, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as your lease.
p. Death or disability of franchisee	Section 14.5	If no heir or other principal person capable of operating the Baked Bear Store, we shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Baked Bear Store on your behalf, and be paid all reasonable costs and expenses for such management assistance, including without limitation, the manager's salary, room and board, travel expenses and all other related expenses.
q. Non-competition covenants during the term of the franchise	Sections 13.1	No involvement in Competing Business (i.e., any ice cream/frozen confection business, including but not limited to, ice cream sandwiches, cookies, and other products the same or similar to those offered in the franchised business, any ice cream/frozen confection marketing or consulting business, or any business offering products of a similar nature to those of the Baked Bear Store.) These provisions are subject to applicable state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.1	For 2 years after the expiration, termination, non-renewal or assignment No involvement in Competing Business anywhere within a 5-mile radius of any Baked Bear Store whether franchised or owned by us or any of our affiliates. These provisions are subject to applicable state law.
s. Modification of the Franchise Agreement	Article 19	Only by a written agreement signed by both parties
t. Integration/merger clause	Article 19	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Nothing in the Franchise Agreement is

Provision	Section in Franchise Agreement	Summary
		intended to disclaim the representations made in the disclosure document. Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 16	Except for a few types of claims, all disputes are resolved through a face-to-face meeting, then mediation, and if unresolved, binding arbitration by a 3-member panel under the Rules of the AAA in California; waiver of jury trial; waiver of class actions; limitation of types and amount of damages and periods to bring claims. Neither punitive damages nor attorneys' fees may be awarded by the Panel, and arbitrations will be conducted on an individual, not class-wide basis. These provisions are subject to state law.
v. Choice of forum	Section 17.6	Franchisee submits to jurisdiction in any state or federal court in California, in the district where our principal place of business is located in connection with matters not subject to arbitration (subject to applicable state law.)
w. Choice of law	Section 17.5	California law applies (subject to applicable state law.)

AREA DEVELOPMENT AGREEMENT

This table lists certain important provisions of the Area Development Agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the term of the Area Development Agreement	Section V	The rights granted under the Area Development Agreement expire on the date of our acceptance and signing of a Franchise Agreement for the last Baked Bear Store to be developed.
b. Renewal or extension of the term	Not Applicable	Not Applicable

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
c. Requirements for developer to renew or extend	Not Applicable	Not Applicable
d. Termination by developer	None	The Area Development Agreement does not contain a provision allowing you to terminate the Area Development Agreement for any reason. Your right to terminate is subject to state law.
e. Termination by franchisor without cause	Not Applicable	The Area Development Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Section VIII	If you are in default of the Area Development Agreement, we will have cause to terminate the Area Development Agreement. A default by you under the terms and conditions of the Area Development Agreement, the Franchise Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.
g. "Cause" defined – curable defaults	Not Applicable	The Area Development Agreement does not provide for defaults which can be cured.
h. "Cause" defined – non-curable defaults	Section VIII	The Area Development Agreement will terminate automatically if you are adjudicated bankrupt or are otherwise involved in a bankruptcy proceeding, if a final judgment remains unsatisfied of record for 30 days or longer (unless bond is filed), if execution is levied against your business or property, if a mortgage or lien foreclosure suit is instituted against you and is not dismissed or in the process of being dismissed within 30 days, if you have failed to exercise options and enter into Franchise Agreements with us according to your Development Schedule, failed to comply with any other term or condition of the Area Development Agreement, make or attempt to make an unapproved transfer or assignment of the Area Development Agreement, or if you fail to comply with the terms and conditions of any Franchise Agreement or other agreement between

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
		you and us. A default by you under the terms and conditions of the Area Development Agreement, the Franchise Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.
i. Developer's obligations on termination/non-renewal	Section VIII(d)	You will lose your options to establish an individual Baked Bear Store for which a Franchise Agreement has not been signed by us. A default under the Area Development Agreement will not be considered a default under the Franchise Agreement, unless specified otherwise. If you are in default of the Area Development Agreement but are not in default under any one or all of your Franchise Agreements, you may continue to operate the existing Baked Bear Store(s) under the terms of their separate Franchise Agreements.
j. Assignment of contract by franchisor	Paragraph IX(a)	No restriction on our right to assign.
k. "Transfer" by developer – defined	Section IX(c)	Includes transfer of assets and all rights under the contract or change of ownership.
l. Franchisor approval of transfer by developer	Section IX(c)	We have the right to approve all transfers by you but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Sections IX(c)	For a transfer to a third party, the transferee must meet our qualifications, successfully complete the training program and sign the current Area Development Agreement. You will pay all sums owed to us and sign an agreement containing general release, as well as pay our then-current transfer fee. You must give us 90 days written notice before any sale or assignment of the Area Development Agreement and 15 days written notice of any received offer to buy your interest in the Area Development Agreement. You must give simultaneous written notice to us of any offer to sell an interest under the Area Development Agreement made by

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
		you.
n. Franchisor's right of first refusal to acquire developer's business	Section IX(e)	We have the right of first refusal to purchase your ownership interest or assets which are for sale and for which you have received a good faith offer to purchase.
o. Franchisor's option to purchase developer's business	Section IX(e)	We have 15 days from notice of the offer to purchase your ownership interest or your assets at the same terms as contained in the offer.
p. Death or disability of developer	Not Applicable	See rows k., l. and m. above. While your death or disability is not specifically addressed in the Area Development Agreement, a transfer of shares upon the death of an owner of the area developer (or a transfer of the agreement upon your death if you are an individual) would be treated the same as any other transfer.
q. Non-competition covenants during the term of the franchise	Section X	You must not divert or attempt to divert any business or customer to a competitor; perform any act which may harm the goodwill associated with the Marks and the System; or own or otherwise have more than 5% interest in any "competitive business." You will also be bound by and comply with the covenants in each Franchise Agreement you sign with us. The covenants apply even if you have transferred your interest in the Area Development Agreement. The term "Competitive Business" means any business (other than a Baked Bear Store) principally offering products substantially similar to the products and services than being offered by the majority of the Baked Bear Stores. These provisions are subject to applicable state law.
r. Non-competition covenants after the franchise is terminated or expires	Section X(b)	You must not own or operate a Competitive Business for 2 years after the Area Development Agreement is terminated within the Designated Territory or within a 5-mile radius of any Baked Bear Store. You

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
		will also be bound by and comply with the covenants in each Franchise Agreement signed with us. The covenants apply even if you have transferred your interest in the Area Development Agreement. These provisions are subject to applicable state law.
s. Modification of the agreement	Section XVI	The Area Development Agreement can be modified only by written agreement between us and you.
t. Integration/merger clause	Section XVI	Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside the Disclosure Document, Franchise Agreement, and Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section XIX	Disputes/claims are first subject to a face-to-face meeting, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in the county where our then-current headquarters is located. These provisions are subject to state law.
v. Choice of forum	Section XIX(b)	Any action will be brought in the appropriate state or federal court nearest to our then current principal place of business (subject to applicable state law.)
w. Choice of law	Section XIX(g)	California law applies (subject to applicable state law.)

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Historic Gross Sales Information

Our affiliate and Licensor, The Baked Bear, LLC, currently owns and operates one (1) Baked Bear business of the type we franchise. Licensor opened its first Baked Bear Store in May 2013. Its principal place of business is 4516 Mission Boulevard, Suite C, San Diego, California 92109. Licensor has never offered franchises in any line of business.

The charts below include sales data derived from the actual historical performance of those Baked Bear Stores that were open and in operation for the 12-month period from January 1, 2025, to December 31, 2025 (i.e., our full fiscal year 2025). To reasonably compare yearly sales data, we believe it is most reliable to only include sales data from outlets that were open for the full year in 2025.

There were thirty-three (33) Franchised Outlets at our year-end in 2025, twenty-seven (27) of which were open for the full year in 2025. Sales information for six (6) Franchised Outlets, including a satellite/kiosk outlet and five (5) new franchised outlets were not included in the charts below because they were not open and in operation for the full year in 2025.

Some Baked Bear Stores have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Urban/Tourism Areas

The Baked Bear Store owned by our affiliate and thirteen (13) franchised Stores have been open at least 12 months in "Urban/Tourism Areas," which we define as streets or urban areas that have significant foot traffic, a high density of restaurants and bars, and are a destination spot for tourism (whether local or national).

Affiliate/Company-Owned Outlet*

2025 Gross Sales[1]	2025 Average[2]	2025 Median[2]
$1,905,701.97	$1,905,701.97	$1,905,701.97

* This is the flagship Store operated by our affiliate.

Franchised Outlets

Franchised Outlet No.	2025 Gross Sales[1]	2025 Average[2]	2025 Median[2]
1	$923,131.53	$868.397.10	$923,131.53
2	$557,490.64		
3	$984,843.56		
4	$1,535,032.24		
5	$1,300,204.54		
6	$749,694.49		
7	$946,453.35		
8	$786,703.67		
9	$488,030.61		
10	$494,575.74		
11	$988,815.09		
12	$947,251.90		
13	$586,934.92		

Outdoor Lifestyle Centers

Five (5) franchised Stores have been open at least 12 months in "Outdoor Lifestyle Centers," which we define as large malls, typically with full-service restaurants, a movie theatre and other entertainment activities.

Franchised Outlet No.	2025 Gross Sales[1]	2025 Average[2]	2025 Median[2]
14	$1,010,955.33	$780,057.50	$780,938.45
15	$1,069,974.45		
16	$570,229.27		
17	$780,938.45		
18	$468,190.00		

College Markets

Three (3) franchised Stores have been open at least 12 months in "College Markets," which we define as within walking distance of a large, major university.

Franchised Outlet No.	2025 Gross Sales[1]	2025 Average[2]	2025 Median[2]
19	$528,614.90	$506,860.27	$512,151.21
20	$479,814.70		
21	$512,151.21		

Suburban Strip Centers

Six (6) franchised Stores have been open at least 12 months in "Suburban Strip Centers," which we define as neighborhood malls or centers with very low foot traffic.

Franchised Outlet No.	2025 Gross Sales[1]	2025 Average[2]	2025 Median[2]
22	$576,841.05	$557,956.53	$545,030.35
23	$535,493.02		
24	$462,289.56		
25	$453,437.43		
26	$765,110.43		
27	$554,567.69		

Notes to Charts:

1. The term "Gross Sales" means and includes the total actual gross charges for all products and services sold to customers of the Baked Bear Store, for cash or credit, whether such sales are made at or from the premises of the Baked Bear Store, or any other location or other channels of distribution, including, but not limited to, income related to take-out orders, third-party online ordering and/or delivery aggregators, catering, and temporary promotions and events, and sales generated from any food truck operated in connection with the Baked Bear Store, but excluding: (i) sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authority; (ii) amounts refunded to customers for cancelled, undelivered, or materially defective orders, including refunds issued by third-party online ordering and/or delivery aggregators, to the extent such refunded amounts are not ultimately received by you, and are documented by platform or POS reports reasonably acceptable to us; and (iii) third-party delivery fees charged by online ordering and/or delivery aggregator.

2. The "Average" and "Median" amounts only include Stores open for the full year in 2025.

Written substantiation for the financial performance representation will be made available to prospective franchisees upon request.

This Item 19 was prepared without an audit.

You should conduct an independent investigation of the costs and expenses you will incur in operating your Baked Bear Store. Franchisees or former franchisees listed in this disclosure document may be a source of such information.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of the outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting

Robert Robbins, at BB Franchise, LLC, 4516 Mission Blvd, Suite C, San Diego, California 92109, (858) 354-5819, the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEM-WIDE OUTLET SUMMARY
FOR FISCAL YEARS 2023 TO 2025

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2023	24	23	-1
	2024	23	29	+6
	2025	29	33	+4
Company-Owned*	2023	1	1	0
	2024	1	1	0
	2025	1	1	0
Total Outlets	2023	25	24	-1
	2024	24	30	+6
	2025	30	34	+4

*The Company-owned Outlet is owned and operated by our affiliate, The Baked Bear, LLC.

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR FISCAL YEARS 2023 TO 2025

STATE	YEAR	NUMBER OF TRANSFERS
Alabama	2023	0
	2024	0
	2025	0
California	2023	0
	2024	0
	2025	1
Florida	2023	0
	2024	0
	2025	0
Georgia	2023	0
	2024	0
	2025	0
Maryland	2023	1
	2024	0
	2025	0

STATE	YEAR	NUMBER OF TRANSFERS
Missouri	2023	0
	2024	0
	2025	0
New Jersey	2023	0
	2024	0
	2025	0
Oklahoma	2023	0
	2024	0
	2025	0
South Carolina	2023	0
	2024	0
	2025	0
Tennessee	2023	0
	2024	0
	2025	0
Texas	2023	0
	2024	0
	2025	0
Total Outlets	2023	1
	2024	0
	2025	1

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS 2023 TO 2025

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS-OTHER REASONS	OUTLETS AT END OF THE YEAR
Alabama	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
California	2023	7	0	1	0	0	0	6
	2024	6	1	0	0	0	0	7
	2025	7	0	0	0	0	0	7
Florida	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	1	0	0	0	0	4
Georgia	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
	2025	2	0	0	0	0	0	2

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS-OTHER REASONS	OUTLETS AT END OF THE YEAR
Maryland	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Missouri	2023	2	0	1	1	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
New Jersey	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	2	2	0	0	0	0	4
Oklahoma	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
South Carolina	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	1	0	0	0	0	0	1
Tennessee	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Texas	2023	5	1	0	0	0	0	6
	2024	6	1	0	1	0	0	6
	2025	6	2	1	0	0	0	7
Total Outlets	2023	24	2	2	1	0	0	23
	2024	23	7	0	1	0	0	29
	2025	29	5	1	0	0	0	33

TABLE NO. 4
STATUS OF COMPANY OWNED OUTLETS*
FOR FISCAL YEARS 2023 TO 2025

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
California	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Total Outlets	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1

*The Company-owned Outlet is owned and operated by our affiliate, The Baked Bear, LLC.

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2025

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
Arizona	1	1	0
California	1	1	0
Florida	3	1	0
Nevada	1	1	0
New Jersey	1	1	0
Texas	1	0	0
Virginia	1	1	0
Total Outlets	9	6	0

A list of the names, addresses and telephone numbers of our current franchisees as of the Issuance Date of this Disclosure Document is attached as **Exhibit H**.

A list of the names, addresses and telephone numbers of our franchisees who have had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this franchise disclosure document, is attached as **Exhibit I**.

If you buy the franchise offered in this Disclosure Document, 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 franchise system being offered in this Disclosure Document.

During the last three years, none of our franchisees have signed any confidentiality agreements or clauses that restrict their ability to speak openly about their experience with the Baked Bear Franchise System.

ITEM 21 FINANCIAL STATEMENTS

Attached to this disclosure document as **Exhibit C** are our audited financial statements for our fiscal years ended December 31, 2025, December 31, 2024, and December 31, 2023.

ITEM 22 CONTRACTS

The following agreements are attached to this Disclosure Document:

Exhibit A	Franchise Agreement and Exhibits
	Exhibit 1 The Authorized Location and Protected Radius
	Exhibit 2 Electronic Funds Transfer Agreement
	Exhibit 3 Electronic Debit Authorization
	Exhibit 4 Telephone Listing Agreement
	Exhibit 5 Guarantee, Indemnification, Acknowledgment
	Exhibit 6 Lease Addendum
	Exhibit 7 Confidentiality Agreement
	Exhibit 8 Confidentiality and Non-Competition Agreement
	Exhibit 9 ADA Certification Form
Exhibit B	Area Development Agreement
Exhibit E	State-Specific Addenda
Exhibit G	Form of General Release

ITEM 23 RECEIPTS

Our and your copies of the Disclosure Document Receipt are located on the last two pages of this Disclosure Document.

EXHIBIT A
TO FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT AND RELATED EXHIBITS

THE BAKED BEAR

FRANCHISE AGREEMENT

THE BAKED BEAR FRANCHISE AGREEMENT
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EXHIBITS

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EXHIBIT 2 ELECTRONIC FUNDS TRANSFER AGREEMENT
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EXHIBIT 9 ADA CERTIFICATION FORM
EXHIBIT 10 FOOD TRUCK ADDENDUM

THE BAKED BEAR
FRANCHISE AGREEMENT

This Baked Bear Franchise Agreement (this "Agreement") is entered into as of the ____ day of _____ 20___ between BB Franchise, LLC, a California limited liability company, doing business as "The Baked Bear" ("Franchisor") and _____, or his/her/their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee"), upon the following terms, conditions, covenants and agreements:

INTRODUCTION

A. The Baked Bear, LLC, a California limited liability company ("Licensor") owns and has developed and administers a system, including various business techniques and methods, trade secrets (including recipes), copyrights (possibly patentable ideas), ingredient lists, confidential and proprietary information and other intellectual property rights (collectively, the "System") for the establishment and operation of distinctive retail ice cream sandwich stores that specialize in custom ice cream sandwiches, including cookie and brownie ice cream sandwiches, and a variety of other desserts that include cookies, warm cookie pies, milkshakes, floats**,** and ice cream sundaes ("Baked Bear Stores") identified by "The Baked Bear Custom Ice Cream Sandwiches", "The Baked Bear" or "Baked Bear" trade name, logo and other trademarks and service marks and related trade dress, as licensed hereunder (the "Marks").

B. The System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of a Baked Bear Store, including, without limitation, confidential manuals (collectively, the "Manual"), recipes, ingredients, menu specifications, marketing, advertising and sales promotions, equipment, furniture and fixtures, cost controls, accounting and reporting procedures, personnel management, training methods, distinctive interior design and display procedures, and color scheme and decor.

C. Pursuant to a written agreement dated September 25, 2014, Franchisor has licensed from Licensor the non-exclusive rights to franchise the System and the Marks in connection with its franchise program. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a license to open and operate a Baked Bear Store.

D. Franchisee desires to obtain a license to use the System in the development and operation of a Baked Bear Store at the location specified in this Agreement (the "Baked Bear Store").

E. Franchisor is entering into this Agreement in reliance upon the representations of Franchisee as to itself and to the person(s) who will participate in the ownership and management of the Baked Bear Store.

NOW, THEREFORE, in consideration of the premises and of the considerations set below, the parties agree as follows:

1. GRANT OF LICENSE; LOCATION

1.1 **Grant**. Subject to any pre-existing rights of Licensor, Franchisor, or other affiliates of Franchisor to the rights of Franchisor to distribute any products or services through any "Alternative Channels of Distribution" (as defined herein) and subject to the rights otherwise reserved by Franchisor in this

Agreement, Franchisor grants to Franchisee, subject to the terms and conditions of this Agreement, the non-exclusive right and license to:

A. Establish and operate a single Baked Bear Store, utilizing only the System and the Marks, at a location that has been authorized by Franchisor (the "Authorized Location"), in accordance with the provisions and for the term specified in this Agreement;

B. Use the Marks of Franchisor under the terms of this Agreement to identify and promote the Baked Bear Store offered hereunder; and

C. Use the proprietary business methods and know-how as set forth periodically in the Manual, other manuals, training programs, or otherwise communicated to Franchisee.

1.2 **Site Approval Process**. Before Franchisor considers approving a location for the Baked Bear Store, Franchisee must submit to Franchisor a complete report containing all information Franchisor may reasonably request concerning the proposed location, including, without limitation, population density, demographics, proximity to other Baked Bear Stores, available parking, traffic flow and entrance to and exit from the site (the "Location Report"). Franchisor shall deliver to Franchisee written approval or disapproval of a proposed location within 30 days after Franchisor receives the Location Report. Franchisor's approval of the proposed site shall be deemed to be a binding addendum to this Agreement upon Franchisor and Franchisee's execution of Exhibit 1, which is attached hereto and incorporated herein by reference, and which will set forth the Authorized Location. Franchisor agrees not to unreasonably withhold approval of a site that meets its site criteria. Franchisee acknowledges that Franchisor's approval of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. While Franchisor will provide site selection assistance as specified in Section 6.1 herein, Franchisee alone is ultimately responsible for selecting and developing an acceptable location for the Baked Bear Store. Franchisee agrees to hold Franchisor harmless with respect to the selection of the Authorized Location by Franchisee. Franchisee must obtain lawful possession of an Authorized Location by lease, purchase or other method and open for regular, continuous business within eighteen (18) months of the date that Franchisor accepts this Agreement. The opening date may be extended an additional three (3) months, at Franchisor's sole discretion, to assist Franchisee in selecting a site that meets Franchisor's site criteria. Franchisor has the right to terminate this Agreement if Franchisee fails to select a site for the Baked Bear Store that meets Franchisor's approval, within the time period allotted above.

1.3 **Authorized Location & Protected Radius**.

A. If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must identify a site approved by Franchisor within the following Designated Market Area:

_____.

Once the Authorized Location for the Baked Bear Store has been identified in the Authorized Location Addendum, attached hereto as Exhibit 1, Franchisor agrees that, so long as Franchisee is in good standing, neither it nor its affiliates will operate or establish, or authorize another Baked Bear franchisee to operate or establish, a Baked Bear Store using the System or Marks within a certain radius ("Protected Radius"), ranging from one and one-half (1 ½) a mile to five (5) miles, around the Authorized Location (as measured from the outside walls of the Baked Bear Store). The Protected Radius will be defined in Exhibit 1, hereto.

B. Franchisee may operate a temporary mobile location that offers the Baked Bear products for one day at a sporting event or other similar event to customers located within Franchisee's Protected Radius and up to 10 miles from the Authorized Location, provided that, such temporary mobile location is not in another Baked Bear franchisee's protected radius. Franchisee must obtain Franchisor's prior written approval for temporary mobile events extending beyond one (1) day.

C. Permitted Encroachment of Protected Radius. Franchisee acknowledges and understands that the System's use of third-party delivery service providers may result in another franchisee delivering products and/or services within Franchisee's Protected Radius due to the Baked Bear Store that the customer or the third-party delivery service provider elects to use to fulfill and deliver a customer's online order. As such, Franchisee expressly agrees that if a franchisee fulfills an online order placed by a customer situated within Franchisee's Protected Radius, then the fulfillment and delivery of that order by another franchisee will not be a violation of Franchisee's territorial protections granted under this Agreement.

D. Delivery Services. Franchisee's Baked Bear Store will be prohibited from directly delivering products to customers; rather, Franchisee will be required to utilize a third-party online delivery service that Franchisor has designated and/or approved in advance in order to fulfill online delivery orders.

1.4 **Rights Reserved to Franchisor**.

A. Except for the right to operate a single Baked Bear Store from the Authorized Location, Franchisee is not granted any rights to use the System and Marks in connection with any other channel of commerce or method of distribution, including, without limitation, distribution of products or services through any temporary or mobile facilities (except as set forth above in Section 1.3B), sales through retail stores (that do not operate under the Marks), supermarkets, grocery stores, or convenience stores, sales made at wholesale, or sales via the Internet and other forms of electronic commerce (collectively, "Alternative Channels of Distribution"), all such rights being retained by Franchisor.

B. Franchisor reserves all rights not expressly granted to Franchisee under this Agreement, and specifically reserves the rights to:

(i) operate, or to license others to operate, any kind of business in any Protected Radius awarded to Franchisee selling to customers located anywhere, whether or not using the Baked Bear brand and System, except for a Baked Bear Store in Franchisee's Protected Radius;

(ii) operate, or to license others to operate, any kind of business anywhere outside of any Protected Radius awarded to Franchisee selling to customers located anywhere, whether or not using the Baked Bear brand and System, including without limitation, Baked Bear Stores; and

(iii) distribute or sell itself, through its affiliates, designees or franchisees, products and services under the Marks through the use of third-party national shipping platforms (e.g., Goldbelly) and third-party delivery platforms (e.g., DoorDash, UberEats, and Postmates), within and outside Franchisee's Protected Radius. Franchisee agrees that the use of such other channels of distribution is not an encroachment upon the territorial rights granted under this Agreement.

C. If Franchisor chooses to grant Franchisee rights relating to an "Alternative Channel of Distribution," Franchisee shall have no protected area whatsoever with respect to such Alternative Channel of Distribution, unless a mutually executed special addendum to this Agreement specifies a protected area for an Alternative Channel of Distribution. Such a protected area, if any, shall be determined by Franchisor in its sole discretion.

D. Notwithstanding anything to the contrary in this Agreement or otherwise, Franchisor and/or any of Franchisor's affiliates can acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, and including arrangements in which (i) other units are (or are not) converted to the Baked Bear brand or other format (including using the System and/or Marks) and/or (ii) Franchisor and/or any of Franchisor's affiliates are acquired, and/or company-owned, franchised or other businesses are converted to another format, maintained under the System or otherwise. All Baked Bear Stores owned by Franchisee will fully participate in any such conversion at Franchisee's expense, which shall not exceed $25,000. Franchisee shall have a period of twelve (12) months to complete the conversion.

E. Franchisee acknowledges and agrees that if the System is converted to a different format or brand name, Franchisor may immediately commence to promote and market the new format and/or brand name. Franchisor may direct that funds from the Marketing Fund, as described in Paragraph 6.10, be used likewise, even though Franchisee defers the conversion of its Baked Bear Store to the new format and/or brand name, and Franchisee shall be obligated to continue to make contributions to the Marketing Fund.

2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee**. Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Baked Bear Store on the terms and conditions specified herein. Franchisee agrees to follow the System requirements relative to all of its operations, including, without limitation, its facilities, staff, advertising, operations and all other aspects of Franchisor's business and the System now in effect and changed periodically. Franchisee and its designated manager(s) must attend and complete Franchisor's training program to Franchisor's satisfaction.

2.2 **Conditions**. The rights being licensed herein are subject, without limitation, to the following conditions:

A. Franchisee's business and the Baked Bear Store shall be identified only by those Marks approved in writing by Franchisor with at least one outside sign as designated by Franchisor.

B. Concurrently, with the signing of this Agreement, Franchisee must execute a personal guaranty in the form attached hereto as Exhibit 5 ("Personal Guaranty"). In the event Franchisee is a legal entity having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in Franchisee (the "Owners") must execute the Personal Guaranty. Any person or entity that at any time after the date of this Agreement becomes an Owner, pursuant to Section 14 or otherwise, shall, as a condition of becoming an Owner, execute Franchisor's then-current form of Personal Guaranty. Franchisor reserves the right to require any such guarantor's spouse or domestic partner under local law to co-sign the Personal Guaranty.

C. Franchisee shall submit the lease for the Baked Bear Store to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. The lease must contain the provisions outlined in Paragraph 7.2.A. and Exhibit 6 ("Lease Addendum").

D. Franchisee agrees that it shall open the Baked Bear Store for regular, continuous business no later than eighteen (18) months after this Agreement is signed by Franchisor. Franchisor may in its sole discretion extend the opening date an additional 3 months if necessary to assist Franchisee in selecting a site that meets Franchisor's approval.

E. Franchisee agrees at all times to comply with the Manual, standards, authorized products, operating systems, and other aspects of the System (collectively, the System Standards") prescribed by Franchisor, which are subject to change at Franchisor's discretion.

F. Franchisee agrees to execute any exhibits, addendum, attachments and agreements to this Agreement requiring Franchisee's signature.

3. TERM AND RENEWAL

3.1 **Term**. The term of this Agreement shall be for a period of five (5) years beginning on the date this Agreement is accepted by Franchisor; provided, however, the term of this Agreement shall be shortened (but not extended) to conform to the term of the lease for the Authorized Location (if the lease is shorter than five (5) years.) Franchisee agrees to operate the Baked Bear Store for the entire term of this Agreement, unless Franchisee receives Franchisor's prior written approval to transfer its interest in the franchise pursuant to Section 14 of this Agreement, or unless the lease for the Authorized Location is terminated at no fault of Franchisee and Franchisee cannot find an alternative location to operate the franchise that is acceptable to Franchisor.

3.2 **Renewal**. Unless terminated at an earlier date, upon the expiration of the initial term, Franchisee shall have the right to renew this Agreement for two (2) consecutive additional five (5) year terms, or for option terms equal to the new or extended term of the lease for the Authorized Location (or suitable alternative location approved by Franchisor), subject to satisfaction of each of the following conditions:

A. Prior to each such renewal, Franchisee shall execute Franchisor's standard form franchise agreement being offered at the time of each such renewal. The provisions of each such renewal franchise agreement may differ from and shall supersede this Agreement in all respects, including, without limitation, changes in royalty and advertising fees, except that Franchisee shall pay the renewal fee specified in Paragraph 3.2.G instead of the initial franchise fee. Franchisee's failure or refusal to execute and return Franchisor's then current standard form Franchise Agreement to Franchisor within thirty (30) days after receipt by Franchisee shall constitute Franchisee's election not to renew;

B. Franchisee shall demonstrate that it has the right to remain in possession of the Authorized Location for the duration of the renewal term, or that it has been able to secure and develop an alternative site acceptable to Franchisor;

C. In consideration of each such renewal of the franchise, Franchisee shall execute a general release in the form and substance satisfactory to us, releasing any and all claims against us and our affiliates, officers, directors, employees and agents;

D. At Franchisee's sole expense, Franchisee and Franchisee's supervisorial or managerial personnel shall complete such training as Franchisor may require to bring Franchisee into conformity with the then current qualifications and training requirements for new franchisees;

E. Franchisee shall have completed or made arrangements to make, at Franchisee's expense such renovation and modernization of the Baked Bear Store, including the interior and exterior of the building, grounds, leasehold improvements, signs, furnishings, fixtures, equipment, uniforms and decor as Franchisor reasonably requires so the Baked Bear Store conforms with the then current standards and image of Franchisor;

F. Franchisee, during the term of this Agreement, shall have substantially complied with all of the provisions of this Agreement and all other agreements with Franchisor, and shall be in compliance with the Manual and with Franchisor's policies, standards and specifications on the date of the notice of renewal and at the expiration of the initial term;

G. Franchisee shall pay to Franchisor a renewal fee ("Renewal Fee") in the amount of $1,000; and

H. Franchisee shall have given Franchisor written notice of renewal not less than 90 or more than 180 days before expiration of the initial term.

I. For any lease term which extends the underlying lease for a period of time in excess of the remaining term of the Franchise Agreement, or any renewal period for the Franchise Agreement, Franchisee must obtain Franchisor's prior written consent to permit either the extended lease term or any additional franchise term.

3.3 **Franchisor's Refusal to Renew Franchise**. Franchisor may refuse to renew the franchise if Franchisee is in default under this Agreement, or any other agreement with Franchisor or an affiliate of Franchisor, if Franchisee has had two or more defaults, whether cured or not, during the term of this Agreement; or if Franchisee fails to satisfy any of the foregoing conditions. Subject to the above, Franchisor will not unreasonably deny renewal of a Franchise.

3.4 **Notice of Expiration Required by Law.** If applicable law requires that Franchisor give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any additional term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement shall remain in effect on a month-to-month basis until Franchisee has received such required notice.

4. TRADEMARK STANDARDS

4.1 **Name and Ownership**. Franchisee acknowledges the validity of the Mark "The Baked Bear Custom Ice Cream Sandwiches", "The Baked Bear", "Baked Bear" and all other Marks that now or in the future are or will be part of the System and agrees and recognizes that the Marks are the sole and exclusive property of Franchisor and/or the affiliates of Franchisor. Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of the Baked Bear Store pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Franchisor from time to time. Any unauthorized use of the Marks by Franchisee shall be a breach of this Agreement and an infringement of the rights of

Franchisor and its affiliates. Franchisee's use of the Marks inures to the benefit of Franchisor, which owns all goodwill now and hereafter associated with the Marks. Franchisee agrees not to contest ownership or registration of the Marks. Franchisor (and/or its affiliates) owns all right, title and interest in and to the Marks, and Franchisee has and acquires hereby only the qualified license granted in this Agreement.

4.2 **Use**.

A. Franchisee shall not use any Mark as part of the name of any corporation, limited liability company or other entity that Franchisee may form, including any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Franchisor and shall conduct no other business than that prescribed by Franchisor. Franchisee shall not use any other mark, name, commercial symbol or logotype in connection with the operation of and shall not market any product relating to the Baked Bear Store without Franchisor's written consent, and if such consent is granted, such product must be marketed in a manner acceptable to Franchisor. Franchisor may also permit Franchisee to use from time-to-time other trademarks, service marks, trade names and commercial symbols as may be designated in writing. Franchisee and its employees and agents will not engage in any acts or conduct that impair the goodwill associated with the Marks.

B. Franchisee agrees to give such notices of trademark and service mark registrations and copyrights as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. Franchisee is prohibited from using the Marks in advertising, promotion or otherwise, without the appropriate "©" or "®" (copyright and registration marks) or the designations "™" or "℠" (trademark and service mark), where applicable.

D. Franchisee must not establish a website, a URL, or any email account(s), using any domain name containing the Marks or any variation thereof without the prior written consent of Franchisor.

E. Franchisee and its employees and agents will not engage in any acts or conduct that impairs the goodwill associated with the Marks.

4.3 **Litigation**. Franchisee agrees to notify Franchisor immediately in writing if it becomes aware that any person who is not a licensee of Franchisor is using or infringing upon any of the Marks. Franchisee may not communicate with any person other than Franchisor and its counsel in connection with any such use or infringement. Franchisor will have discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks and will have complete control of any litigation or settlement in connection with any claim of an infringement or unfair competition or unauthorized use with respect to the Marks. Franchisee, at Franchisee's own expense will execute any and all instruments and documents and will assist and cooperate with any suit or other action undertaken by Franchisor with respect to such unauthorized use or infringement such as by giving testimony or furnishing documents or other evidence. Franchisor will be responsible for legal expenses incurred by Franchisor in connection with any litigation or other legal proceeding involving such third party. Franchisor shall not be liable for any legal expenses of Franchisee unless approved in writing by Franchisor in its discretion.

4.4 **Modification, Discontinuance or Substitution**. Franchisor reserves the right, if necessary in Franchisor's sole judgment, to change the principal Mark(s) of the System on a national or regional basis, and promptly upon notice, Franchisee shall at its expense adopt a new principal Mark(s) designated by Franchisor to identify the Baked Bear Store. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's change of any Mark. Franchisor shall have no liability for any expenses or damages incurred by Franchisee as a result of Franchisor's election to change the use of any or all of the Marks.

4.5 **Franchisor's Revenues**. Franchisor and its affiliates may offer to sell to Franchisee at a reasonable profit various goods and services, and reserve the right to receive fees or other consideration in connection with "The Baked Bear" sales promotion and advertising programs or from System vendors.

5. FEES

5.1 **Initial Franchise Fee.** Franchisee agrees to pay Franchisor an Initial Franchise Fee in the sum of Thirty-Five Thousand Dollars ($35,000) for a single Baked Bear Store, upon execution of this Agreement in the form of a cashier's check, wire transfer or electronic check ("eCheck). If Franchisee is an existing Baked Bear Franchisee purchasing an additional Baked Bear Store, the Initial Franchisee Fee will be reduced to Twenty-Eight Thousand Dollars ($28,000) for each additional Store Franchisee purchases. The Initial Franchise Fee is used, among other things, to offset Franchisor's costs and expenses relating to site selection assistance [if appropriate], initial training, equipment [if appropriate], establishment of suppliers, inspection, testing and other quality control programs, design assistance, project management, initial marketing and grand opening assistance, as well as Franchisor's other costs in helping Franchisee open the franchise. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstances.

If Franchisee enters into an area development agreement with Franchisor ("Area Development Agreement") for the development of three (3) or more Baked Bear Stores, Franchisee will pay Franchisor a Development Fee equal to Twenty-Eight Thousand Dollars ($28,000) multiplied by the number of Baked Bear Stores to be developed under the terms of the Area Development Agreement. Each time Franchisee signs a Franchise Agreement for a Baked Bear Store developed pursuant to an Area Development Agreement, Franchisor will credit the amount paid for that Baked Bear Store as part of the Development Fee against the amount of the Initial Franchise Fee due for such Baked Bear Store. The Initial Franchise Fee due for each Baked Bear Store developed pursuant to an Area Development Agreement is Twenty-Eight Thousand Dollars ($28,000).

5.2 **Royalty Fee**. Beginning from the day the Baked Bear Store first opens for business and continuing during the Term of this Agreement, Franchisee agrees to pay Franchisor monthly, without setoff, credit or deduction of any nature, a royalty fee (the "Royalty Fee"). The Royalty Fee will be equal to six percent (6%) of Franchisee's Gross Sales (as that term is defined in Section 5.3, below.) Franchisee agrees to pay the Royalty Fee by the 10th day of each month following the month in which the royalties were earned, using the method of payment as specified in Section 5.7 below.

5.3 **Definition of Gross Sales**.

A. As used in this Agreement, the term "Gross Sales" shall mean and include the total actual gross charges for all products and services sold to customers of the Baked Bear Store, for cash or credit, whether such sales are made at or from the premises of the Baked Bear Store, or any other location or

other channels of distribution, including, but not limited to, income related to take-out orders, third-party online ordering and/or delivery aggregators, catering, and temporary promotions and events, and sales generated from any food truck operated in connection with the Baked Bear Store, but excluding: (i) sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authority; (ii) amounts refunded to customers for cancelled, undelivered, or materially defective orders, including refunds issued by third-party online ordering and/or delivery aggregators, to the extent such refunded amounts are not ultimately received by Franchisee, and are documented by platform or POS reports reasonably acceptable to Franchisor; and (iii) third-party delivery fees charged by online ordering and/or delivery aggregator.

B. Refunds issued after the close of a reporting period are applied as a credit against Gross Sales in the immediately following reporting period and do not require retroactive recalculation of royalties.

C. Franchisor shall have no obligation to process adjustments unless the aggregate refunded amounts exceed $100 per reporting period.

5.4 **Marketing Fund Contribution.** If Franchisor establishes a Marketing Fund (as defined in Section 9.3 A.) to advertise and promote the Baked Bear Stores, Franchisor will give Franchisee at least thirty (30) days' written notice before requiring Franchisee to contribute to such fund. Upon notice from Franchisor, Franchisee agrees to pay Franchisor, monthly, a fee in an amount up to one and one-half percent (1.5%) of Franchisee's Gross Sales, without set-off, credit or deduction of any nature, for national advertising and marketing services ("Marketing Fund Contribution"), at the same time and in the same manner as the Royalty Fee is paid. Franchisor, at its discretion, may increase or decrease the Marketing Fund Contribution upon thirty (30) days' written notice to Franchisee; however, no increase shall exceed one and one-half percent (1.5%) of Franchisee's Gross Sales. The Marketing Fund Contribution shall be expended in accordance with Section 9.3 herein.

5.5 **Local Advertising Expenses.** Franchisee agrees to spend each month no less than 1% of its Gross Sales for the month on local advertising and promotion of the Baked Bear Store. Franchisee must participate in all promotional events designated by Franchisor for the market in which the Baked Bear Store is located, such events will cost Franchisee approximately $2,000 to $6,000 per year. Franchisee may apply its 1% of Gross Sales required spending to the promotional events expenditures. (See Section 9.4 for more details on Local Advertising.)

5.6 **Technology Fees**. Franchisor may, at its option, make available to Franchisee certain technology services and software programs that Franchisee is required to use in the operation of the Baked Bear Store and charge Franchisee a fee for such services and software ("Technology Fees"). These fees are intended to cover Franchisor's costs and expenses associated with developing, implementing, licensing or otherwise using and integrating the technology Franchisor determines appropriate to provide as part of the System or otherwise in connection with the Baked Bear Store and/or the Baked Bear network. Franchisor may charge Franchisee ongoing fees for providing technology services including, but not limited to, setting up and managing an internal website, intranet, cloud marketing platforms, mobile applications, email accounts, microsites, electronic document storage, educational resources, Google and meta pages, and other technology support. Franchisor may provide a single software program or bundle the costs of multiple software programs and charge Franchisee one monthly fee for all the software programs, including an administrative fee. Franchisor may also charge Franchisee any applicable setup fees associated with the software programs. Franchisor will assess Technology Fees in good faith and in

a commercially reasonable manner based on the nature and scope of the technology services provided, and such fees may change as Franchisor modifies, enhances, or expands the technology made available as part of the System. If Franchisor elects to provide any of the aforementioned technology services and/or software programs to Franchisee, Franchisee agrees to pay Franchisor monthly for the Technology Fees, as specified in Section 5.7, below. The amount of the Technology Fees may change from time to time during the term of this Agreement.

5.7 **Electronic Transfer**.

A. Unless Franchisor in its discretion specifies otherwise, Franchisee agrees to pay the Royalty Fee, Marketing Fund Contribution and any other fees owed to Franchisor, by pre-authorized electronic debit to Franchisor's bank or other financial institution account.

B. For purposes of this Agreement, each week shall end at midnight Sunday, and each month shall start from the 1st day of each calendar month and end on the last day of such month.

C. Franchisee agrees to complete and execute an "Electronic Funds Transfer Agreement" (attached as Exhibit 2 to this Agreement) and any other form, including, without limitation, an "Electronic Debit Authorization" (attached as Exhibit 3 to this Agreement) prescribed by Franchisor in its discretion for the purpose of authorizing an electronic debit, and to submit any information required by Franchisor for such authorization. By signing the Electronic Funds Transfer Agreement and the Electronic Debit Authorization, Franchisee gives authorization to permit Franchisor to debit electronically Franchisee's bank account. Franchisee agrees to maintain an account at a bank or other financial institution that has the capacity to perform electronic debits to its account.

D. Franchisee agrees to install at its expense and use such pre-authorized payment and computerized point of sales systems, credit verification systems, automatic payment systems, electronic funds transfer systems, or automatic banking system as Franchisor in its discretion may require. This requirement may be specified by Franchisor to fulfill any business purpose reasonably related to the operation of the Baked Bear Store and the System or to permit Franchisee to make all required payments to Franchisor by automatic bank transfer.

E. Franchisee agrees to maintain account balances sufficient to make all payments due to Franchisor by electronic transfer. Any insufficiency shall constitute a default in payment pursuant to Paragraph 15.2(2) of this Agreement. Any charges incurred by Franchisor due to a shortage of funds in Franchisee's bank account shall be promptly reimbursed by Franchisee to Franchisor.

5.8 **Interest and Late Charges**. Amounts due to Franchisor (except interest on unpaid amounts due) not paid when due shall bear interest from the date due until paid at the lesser of one and one-half percent (1.5%) per month, or the highest rate of interest allowed by law. Franchisor may also recover its reasonable attorneys' fees, costs and other expenses incurred in collecting amounts owed by Franchisee.

5.9 **All Other Amounts Due in Connection with the Franchised Business**. In addition to the specified fees and amounts above, Franchisee will be required to pay for (i) building out and constructing the Baked Bear Store, including all initial inventory and supplies necessary to commence operations, and (ii) the items and services that Franchisee will be required to obtain and/or maintain throughout the term of this Agreement in accordance with the System Standards and specifications. Franchisor may require

Franchisee to purchase any of the foregoing items or services from Franchisor, its affiliate or any other Approved Supplier.

5.10 **No Accord or Satisfaction**. If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount due under this Agreement for any payment due hereunder, such payment or receipt shall be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be construed as an accord or satisfaction. Franchisor and any of its affiliates' acceptances of any payments made by Franchisee shall not be construed to be a waiver of any breach or default of any provision in this Agreement.

6. FRANCHISOR SERVICES

6.1 **Site Selection and Lease Negotiations**. Franchisee is solely responsible for locating, selecting, obtaining, and evaluating the suitability and prospects of potential locations for the Baked Bear Store, and for the review and negotiation of its lease. Franchisee must propose one or more potential sites to Franchisor for review. At Franchisee's request, Franchisor will assist Franchisee in the review and evaluation of proposed sites and negotiation of Franchisee's lease by furnishing Franchisee with Franchisor's confidential site evaluation criteria, by consulting with and counseling Franchisee, and, at Franchisor's discretion, conducting field inspections of proposed sites at mutually convenient times. Franchisor must approve Franchisee's site selection. Franchisor agrees not to unreasonably withhold approval of a site that meets its site criteria. Franchisee acknowledges that Franchisor's approval of a proposed site constitutes permission only and does not constitute a selection of the site by Franchisor, nor an assurance or guaranty of the availability, suitability, or success of the location, and does not create any liability for Franchisor. If Franchisor and Franchisee are unable to agree upon an approved site within the time period allotted in Section 1.2, Franchisor may terminate this Agreement.

6.2 **Unit Development**. Franchisor shall consult and advise Franchisee on proper display of the Marks, layout and design, procurement of equipment, van or food truck, furniture, fixtures and initial inventories, recruiting personnel, and managing construction or remodeling of the Baked Bear Store. After Franchisee has executed a lease for the Authorized Location, Franchisor shall deliver to Franchisee specifications and standards for building, equipment, furnishings, fixtures, layout, design and signs relating to the Authorized Location and shall provide reasonable consultation in connection with the development of the Baked Bear Store. Franchisor shall at its corporate headquarters or at such other place as designated by Franchisor review Franchisee's plans and assist Franchisee in selecting the plan most suitable for the Baked Bear Store. Franchisor will provide Franchisee with an "Equipment Index," which will provide guidelines for purchasing or leasing equipment, signage, fixtures, inventory and supplies. Franchisee's architect must make any layout, design and specifications provided by Franchisor site-specific. Franchisee agrees to make no changes, alterations or modifications whatsoever to the selected layout and design without obtaining prior written consent from Franchisor. If there is a conflict between Franchisee and Franchisor regarding the layout and design of the Baked Bear Store, Franchisor's recommendations shall control.

6.3 **Initial Training**. Before the opening of the Baked Bear Store, and at no charge beyond the Initial Franchise Fee, Franchisor will provide initial training (the "Initial Training") at its training facility located in San Diego, California, or at another location designated by Franchisor, which may include, but is not limited to, Franchisee's Baked Bear Store. Franchisor will provide Franchisee (or the Designated Operator if Franchisee is an entity) and/or the Baked Bear Store's designated general manager ("General

Manager"), and two (2) to three (3) of Franchisee's supervisorial or managerial personnel (e.g., assistant managers) with the Initial Training; provided, however, Franchisee and Franchisee's supervisorial or managerial personnel must attend such training simultaneously. The length of the Initial Training is estimated to be approximately 10 days, consisting of a combination of classroom training at Franchisor's headquarters or such other location as designated by Franchisor and on-the-job training conducted at the Baked Bear Store owned by Franchisor or its affiliate or such other training facilities designated by Franchisor. The Initial Training will cover basic aspects of establishing and operating the Baked Bear Store, including a point-of-sale computer system ("POS System"), recipes, forms, costs and cash control, purchasing, inventory control and disposition, customer service, marketing, selling skills, employee hiring, training and scheduling procedures, job functions and maintenance of quality standards. All of the required Initial Training is mandatory. Either Franchisee (or the Designated Operator) or the General Manager, and two (2) to three (3) of Franchisee's designated supervisorial or managerial personnel (e.g., assistant managers) must satisfactorily complete the Initial Training Program within the timeframe established by Franchisor. If Franchisee is an existing Baked Bear Franchisee opening an additional Baked Bear Store, the training will be the same as the then-current initial training requirements for a new Baked Bear franchisee; however, Franchisor may, at its sole discretion, reduce the amount of initial training required for Franchisee (or the Designated Operator), the General Manager, and assistant managers, based upon each individual's prior training and experience. If Franchisee is an existing Baked Bear franchisee replacing the Designated Operator (set forth in Section 17.9, herein) or the General Manager, the initial training requirements for such individual is the same as the then-current initial training requirements for a new Baked Bear franchisee, however, Franchisor may, at its sole discretion, reduce the amount of initial training required, based upon the individual's prior training and experience. Franchisee is responsible for all travel, lodging, food, wages, wage related expenses, and other expenses in connection with said training for Franchisee and Franchisee's supervisorial or managerial personnel. Franchisee agrees that it will require all supervisorial or managerial personnel hired after the Baked Bear Store is open to complete Franchisor's Initial Training within 30 days following the commencement date of employment, at a location designated by Franchisor. If warranted by government regulations, emergency guidelines, enforced quarantines, travel restrictions, a natural disaster, force majeure or other event outside of Franchisor's control, Franchisor reserves the right to conduct any and all training, classes, courses, meetings, and conferences, online, telephonically, or otherwise, or to cancel or delay any and all such training, classes, courses, meetings, and conferences.

6.4 **Grand Opening Training/Assistance**. To facilitate the opening of the Baked Bear Store, Franchisor will send at least three (3) of Franchisor's representatives to the Baked Bear Store if this is Franchisee's first Baked Bear Store and at least two (2) representatives if Franchisee owns multiple Baked Bear Stores to provide opening ("Grand Opening") training and assistance to Franchisee and Franchisee's employees. At no charge to Franchisee, Franchisor will provide up to 6 days of Grand Opening training and assistance at the Baked Bear Store. If Franchisee requests Grand Opening assistance beyond 6 days, Franchisor may, at its discretion, provide the additional assistance, and charge Franchisee a fee of $400 per day, plus the additional travel and living expenses of Franchisor's representative(s) providing the additional assistance. In order to manage resources and personnel, Franchisor reserves the right to set the date for the Grand Opening of the Baked Bear Store (the "Grand Opening Date"). Currently, Franchisor limits Grand Openings to one opening every other week throughout the System. The Grand Opening Date for the Bake Bear Store will be scheduled based on (i) the timing of the final inspections of the Baked Bear Store; (ii) the availability of Franchisor's representatives; and (iii) the scheduling of Grand Openings with other Baked Bear Stores. Franchisor requires at least 10 days from the date Franchisee receives approval of all final inspections and is issued a Certificate of Occupancy to set the Grand Opening Date for the Baked Beare

Store. Grand Openings will be prioritized by whichever Baked Bear Store receives its final approval of all inspections and is issued a Certificate of Occupancy first

6.5 **Additional Training**. If at any time after completion of the Initial Training Program, Franchisee requests additional training for Franchisee or any of its employees or employs new supervisorial or managerial personnel requiring training, Franchisee shall be responsible for all compensation, travel and living expenses incurred by Franchisee and/or its supervisorial or managerial personnel in receiving the training at Franchisor's headquarters, or at another location designated by Franchisor, at its sole discretion. Franchisor does not currently charge Franchisee a fee for additional training.

6.6 **Operations Manual**. Franchisor will lend Franchisee one (1) copy of Franchisor's Manual during the term of this Agreement. The Manual is anticipated to codify existing mandatory and suggested specifications, standards and operating procedures currently prescribed by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its System as well as the contents of the Manual, and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. Any required specifications, standards, and/or operating procedures exist to protect Franchisor's interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee. The Manual shall remain the sole property of Franchisor and shall be kept confidential by Franchisee both during the term of this Agreement and subsequent to the termination, expiration, or non-renewal of this Agreement. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained at Franchisor's principal office shall be controlling. The Manual may be provided electronically, in which case, Franchisor will grant Franchisee online access to an electronic version of the Manual, during the term of this Agreement. If Franchisee in any way compromises the secure access to the online version of the Manual, including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of $10,000, to compensate Franchisor for the breach and related damage to the System.

6.7 **Continuing Services**. Franchisor shall provide such continuing advisory assistance and information to Franchisee in the development and operation of the Baked Bear Store as Franchisor deems advisable. Such assistance may be provided, in Franchisor's discretion, by Franchisor's directives, System bulletins, meetings and seminars, telephone, computer, e-mail, fax, personal visits, newsletters or manuals. Franchisor may provide regular consultation and advice to Franchisee in response to inquiries from Franchisee regarding administrative and operating issues that Franchisee brings to Franchisor's attention. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone will establish all requirements, consistent with Franchisor's policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Baked Bear Store for which Franchisor has not established Approved Suppliers. The rendering of any consultation, advise, assistance, consent, approval or services by Franchisor, as set forth in this Agreement, does not constitute any assurance or guaranty that such consultation, advice, assistance, consent, approval or services will result in any level of success of Franchisee's business. Any Franchisor services set forth in this Agreement may be provided by Franchisor and/or representative(s) or designee(s) of Franchisor.

6.8 **Approved/Designated Suppliers, Products and Services**.

A. Franchisor shall provide and from time to time, add to, alter or delete, at Franchisor's discretion, lists of specifications, approved distributors and suppliers, approved services, products, materials and supplies, and training that may benefit Franchisee in the operation of the Baked Bear Store. Franchisor has the right to require that Franchisee obtain products/services specified by Franchisor from time to time exclusively from suppliers designated or approved by Franchisor ("Approved Suppliers"). Franchisor has the right to designate or approve a single supplier or multiple suppliers for any specified product/service and to designate a single supplier as an exclusive supplier of a required product or service. Approved Suppliers may include, and may be limited to, Franchisor and/or companies affiliated with Franchisor. Franchisee must not offer or sell any products or services not approved by Franchisor. If Franchisor disapproves a particular item, Franchisee agrees not to use it.

B. Designation or approval of a supplier may be conditioned on factors established by Franchisor as it considers appropriate, including without limitation, performance relating to frequency of delivery, standards of service, inability to maintain quality/adequate supply of goods, inability to meet or maintain acceptable pricing, and payment or other consideration to Franchisor or parties designated by Franchisor. Franchisor can approve, or revoke or deny approval, of particular items or suppliers in its sole discretion. Franchisor and its affiliates reserve the right to receive rebates, incentive amounts, discounts and other economic benefits from any supplier and have the right to realize a profit on the sales of products and/or services to Franchisee.

C. Franchisee can request the approval of an item, product, service or supplier by notifying Franchisor in writing and submitting such information and/or materials Franchisor may request. Franchisor may require Franchisee to pre-pay any reasonable charges connected with Franchisor's review and evaluation of any proposal. These charges may include reimbursement for reasonable travel, accommodations and meal expenses, plus a fee of $1,500 per day for any personnel who are engaged in evaluating a supplier at Franchisee's request. Franchisor will notify Franchisee in writing of Franchisor's approval or disapproval within 90 days after Franchisee makes a written request.

6.9 **Pricing.** Franchisor has developed an image that is based in part on consistent and reasonable prices for products and services offered by the System. To promote a consistent consumer experience, and to maximize the value of limited advertising expenditures, and subject to applicable state law, Franchisor may require fixed minimum or maximum prices for any products or services offered by the System and Franchisee. Franchisee is obligated to use the pricing required by Franchisor, unless Franchisor consents to changes in local pricing offered by Franchisee in order to (i) allow Franchisee to respond to unique, local, marketing conditions, competition, or expenses; or (ii) comply with changes or interpretations in State or Federal anti-trust laws. Consistent with State or Federal law, Franchisor reserves the right to change or eliminate its pricing program in the future, or to move from a required to recommended pricing structure. Franchisee acknowledges and agrees that any maximum, minimum or other prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of the Baked Bear Store, and Franchisee irrevocably waives any and all claims arising from or related to Franchisor's prescription or suggestion of the Store's retail prices.

6.10 **Marketing Fund.** Franchisor may, in its sole discretion, and depending on the quantity of franchise stores, their locale, and the cost of effective media, institute, maintain and administer a Marketing Fund for such advertising or public relations programs as Franchisor, in its discretion, may deem necessary or appropriate to advertise and promote the pursuant to Paragraph 9.3 of this Agreement.

6. 11 **Grand Opening Marketing Assistance.** Franchisor shall consult and advise Franchisee on the advertising, marketing, and promotion for the Grand Opening of the Baked Bear Store pursuant to Paragraph 9.5 of this Agreement.

6.12 **Notice of Completion of Pre-Opening Obligations**. After Franchisor has completed its pre-opening obligations to Franchisee under this Agreement, Franchisor may require Franchisee to sign and deliver to Franchisor confirmation that Franchisor has performed its pre-opening obligations in a form that Franchisor reasonably requests ("Notice of Completion"). If Franchisor asks Franchisee to provide Franchisor with such Notice of Completion, Franchisee must sign and deliver it to Franchisor within five (5) days after Franchisor's request. The term "pre-opening obligations" means the obligations Franchisor has provided to Franchisee under this Agreement that must be performed before the date that the Franchised Business starts its operations. If Franchisee reasonably believes that Franchisor has not completed its pre-opening obligations to Franchisee, Franchisee must provide Franchisor with a notice in writing, withing that same five (5) day period, specifying those pre-opening obligations that have not been performed ("Remaining Obligations"). Within five (5) days following our completion of the Remaining Obligations, Franchisee must execute and deliver to Franchisor the Notice of Completion notwithstanding that Franchisor's performance of such obligations was concluded after the time of performance required by this Agreement. In the event Franchisee fails to timely sign and deliver to Franchisor a Notice of Completion (or notice of Remaining Obligations) Franchisee will be deemed to have confirmed that all of Franchisor's pre-opening obligations have been met.

7. FACILITY STANDARDS, LEASE AND CONSTRUCTION

7.1 **Facility Specifications.** Franchisee acknowledges and agrees that the Baked Bear Store shall meet the following conditions:

A. The Baked Bear Store shall be laid out, designed, constructed or improved, equipped and furnished in accordance with Franchisor's standards and specifications. Equipment, furnishings, fixtures, decor and signs for the Baked Bear Store shall be purchased from Approved Suppliers. Franchisee must use an equipment services provider designated or approved by Franchisor as an Approved Supplier to receive, warehouse, deliver, uncrate, and set in place the equipment for the Baked Bear Store if Franchisor requires such services. Although Franchisor may set a specification or require use of an approved supplier in its sole discretion, Franchisor makes no representations or warranties about the specification, or about the goods or services provided by such supplier. Franchisor is not liable for any damages, injuries or losses caused by or due to the actions, services or products supplied to Franchisee from any third-party supplier approved by Franchisor. Franchisee acknowledges that it is responsible for supervising the build-out of the Baked Bear Store and the installation of equipment, fixtures and signage. Franchisee may not remodel or alter the Baked Bear Store, or change its equipment, furniture or fixtures, without Franchisor's prior written consent. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements. The Baked Bear Store shall contain or display only signage that Franchisor has specifically approved or designed, and shall use only the type and style of menu board designated or approved by Franchisor.

B. The Baked Bear Store and all the equipment therein shall be maintained in accordance with standards and specifications established by Franchisor or prescribed after inspection of the Baked Bear Store. Franchisee shall promptly repair or replace defective or obsolete equipment, signage, fixtures or any other item of the interior or exterior that is in need of repair, refurbishing or redecorating in

accordance with such standards established (and updated from time to time) by Franchisor or as may be required by Franchisee's lease.

C. The Baked Bear Store shall contain signage prominently identifying Franchisee by name as an independently owned and operated franchisee of Franchisor.

D. Franchisor may place, in a conspicuous location, informational materials, including, without limitation, a discrete brochure rack on the customer counter and various signage and/or language on the front doors and/or windows relating to its franchise opportunities at any time during the term of this Agreement and any extensions to this Agreement.

7.2 **Lease**.

A. Franchisee is solely responsible for purchasing or leasing a suitable site for the Baked Bear Store. Franchisee must submit the purchase agreement or lease for the Baked Bear Store to Franchisor for its written consent before Franchisee executes the purchase agreement or lease for the Authorized Location. Franchisor will not withhold consent arbitrarily; however, any lease must contain substantially the following provisions: (1) "The leased premises will be used only for the operation of a Baked Bear Franchise;" (2) "The employees of Franchisor will have the right to enter the leased premises to make any modifications necessary to protect the System and proprietary marks thereof;" (3) "Lessee agrees that Lessor may, upon request of Franchisor disclose to said Franchisor all reports, information or data in lessor's possession with respect to sales made in, upon or from the leased premises;" and (4) a conditional assignment clause to be contained in a lease addendum, in a form approved by Franchisor, which shall provide that Franchisor (or its designee) may, upon termination, expiration, non-renewal or proposed assignment of this Agreement, at Franchisor's sole option, take an assignment of Franchisee's interest thereunder, without the consent of the Lessor or property owner, without liability for accrued obligations, payment of additional consideration or increase in rent, and at any time thereafter, reassign the lease to a new franchisee. Franchisor's execution of this Agreement is conditioned upon the above-referenced lease addendum in the form attached hereto, as Exhibit 6 ("Lease Addendum"), which shall be signed by Franchisee and attached and made part of the lease for the Baked Bear Store. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

B. Franchisee may not terminate, renew or in any way alter or amend the lease for the Baked Bear Store during the term thereof, or any renewal term thereof, without Franchisor's written consent, except as otherwise provided in this Agreement. Franchisee may not sublicense or assign rights granted in this Agreement except in accordance with Article 14**.**

C. Franchisee's execution of a lease for the Baked Bear Store shall constitute: (1) acceptance by Franchisee of such site and location and the terms of such lease; and (2) a waiver of any claim or right against Franchisor relating to the choice of such site and location or the terms of such lease.

D. Franchisee shall provide Franchisor with a copy of Franchisee's fully executed lease with all exhibits and attachments thereto for the Baked Bear Store promptly after execution.

E. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

7.3 **Development of the Baked Bear Store.** Franchisee agrees that after obtaining possession of the Authorized Location, Franchisee will complete promptly the following actions, at Franchisee's sole expense:

A. Obtain any standard plans and/or specifications for the Baked Bear Store from Franchisor;

B. Employ a qualified licensed architect, as required by state or local codes to prepare, in accordance with Franchisor's specifications and standards all requisite drawings, designs, plans and specifications for the Baked Bear Store location;

C. Submit to Franchisor all requisite drawings, designs, plans and specifications, including signage, prepared by such architect;

D. Obtain approval of such requisite drawings, designs, plans and specifications, including signage, from the Franchisor, lessor and local authorities prior to commencement of construction of the Baked Bear Store.

E. Obtain all permits and certifications required for lawful construction and operation of the Baked Bear Store, including, without limitation, zoning, building, access, sign, fire and health requirements;

F. Construct the Baked Bear Store under the supervision of a licensed general contractor in full and strict accordance with all legal requirements and with the plans and specifications approved by Franchisor, lessor and local authorities;

G. Obtain or require the contractor to obtain payment and performance bonds;

H. Obtain all customary contractor's sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services for the Baked Bear Store;

I. Obtain or have the contractor obtain Builder's Risk Insurance naming Franchisor as a loss payee;

J. Complete the construction or remodeling of the Baked Bear Store in full and strict compliance with plans and specifications approved by Franchisor, landlord for the site, and with all applicable ordinances, building codes and permit requirements;

K. Purchase or lease, in accordance with Franchisor's standards and specifications, all equipment, furniture, fixtures, inventory, supplies and signs required for the Baked Bear Store;

L. Hire and train the initial supervisorial and managerial personnel according to Franchisor's standards and specifications;

M. Complete development of and have the Baked Bear Store open for business not later than eighteen (18) months after the date that Franchisor accepts this Agreement unless Franchisor extends the opening date, but in no event later than twenty-one (21) months after the date that Franchisor accepts this Agreement; and

N. Not later than 90 days after the Baked Bear Store opens for business, furnish to Franchisor an itemized breakdown of the costs incurred by Franchisee in developing the Baked Bear Store, including design, construction, equipment, furniture, fixtures, signage, inventory and supplies.

7.4 **Franchisee's Responsibility.** Notwithstanding the foregoing, Franchisee acknowledges and agrees that although Franchisor may provide Franchisee with various standard or sample plans and specifications with respect to constructing and equipping the Baked Bear Store, Franchisor is not acting as a general contractor or providing construction advice. Franchisee must hire its own licensed general contractor and architect to comply with local ordinance's and codes, and Franchisee alone is responsible for the build out of the Approved Location, it is Franchisee's sole responsibility to construct and equip the Baked Bear Store in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to execute the ADA Certification Form attached to this Agreement as Exhibit 9. Franchisor makes no representations or warranties that any of the standard or sample plans and specifications provided to Franchisee comply with such laws and regulations. Franchisee agrees to indemnify, defend and hold harmless Franchisor with respect to any standard or sample plans and specifications provided by Franchisor and with respect to the constructing and equipping of the Baked Bear Store.

8. FACILITY IMAGE AND OPERATING STANDARDS.

8.1 **Compliance**. Franchisee acknowledges and agrees that every detail regarding the appearance and operation of the Baked Bear Store is important to Franchisee, the System and other Baked Bear Franchisees in order to maintain high and uniform operating standards, to increase demand for the products and services sold by all franchisees, and to protect Franchisor's reputation and goodwill, and, accordingly, Franchisee agrees to comply strictly at all times with the requirements of this Agreement and Franchisor's standards and specifications (whether contained in the Manual or any other written or oral communication to Franchisee by Franchisor) relating to the appearance or operation of the Baked Bear Store. Franchisee further agrees to promptly implement any changes in operational and facility requirements when prescribed by Franchisor, even if additional investment or expenditures are required. If Franchisee opens with a bakery in the Baked Bear Store, then Franchisee may bake their own products for so long as the Baked Bear Store is open, regardless of whether Franchisor initiates a distribution program for delivery of baked goods to Baked Bear Stores. Franchisee acknowledges that others may operate under different forms of agreement with Franchisor, and that the rights and obligations of the parties to other agreements may differ from those hereunder.

8.2 **Franchisor's Right to Inspection**. To determine whether Franchisee is complying with this Agreement and Franchisor's standards and specifications, Franchisor reserves the right to supervise, determine and approve the standards of appearance, quality and service pertinent to the Baked Bear Store including, without limitation, the right at any reasonable time and without prior notice to Franchisee to: (1) inspect and examine the business premises, equipment, facilities and operation of the Baked Bear Store; (2) interview Franchisee and Franchisee's employees; (3) interview Franchisee's customers, suppliers and any other person with whom Franchisee does business; (4) confer with members and staff of government agencies with authority over Franchisee about matters relevant to the Baked Bear Store; and (5) use "mystery shoppers," who may pose as customers and evaluate Franchisee and Franchisee's operations.

8.3 **Franchisor's Notice of Deficiency and Non-compliance Fees.** If at any time in Franchisor's sole judgment, Franchisee fails to comply with this Agreement or Franchisor's standards and specifications, Franchisor shall notify Franchisee specifying both the time period and the action to be taken by Franchisee to correct such non-compliance. If Franchisee fails or refuses to correct the non-compliance within the required period of time, Franchisor shall have the right, in addition to all other remedies, including termination of this Agreement, to take such corrective action as is, in the sole determination of Franchisor, necessary and appropriate to bring the Baked Bear Store in compliance with Franchisor's specifications, standards, methods, policies and procedures, and Franchisee shall pay the entire cost thereof to Franchisor on demand. Additionally, Franchisor may, at its sole discretion, charge Franchisee a non-compliance fee in an amount up to $500 per occurrence, or $500 per week until compliance is achieved, for Franchisee's failure to comply with any of the terms of this Agreement or the Manual, or failure to participate in any special marketing and advertising promotions required by Franchisor.

8.4 **Adherence to Good Business Practices**. Franchisee shall adhere to good business practices, observing high standards of honesty, integrity, fair dealing and ethical business conduct in all business dealings with customers, employees, vendors and Franchisor.

8.5 **Personnel.** Franchisee agrees to employ in the operation of the Baked Bear Store only persons of high character and ability who maintain and exhibit traits of enthusiasm, cleanliness, neatness, friendliness, honesty and loyalty, it being recognized by Franchisee that such persons are necessary in order to promote and maintain customer satisfaction and the goodwill of the Baked Bear Store. Franchisee agrees to staff the Baked Bear Store at all times with a sufficient number of qualified, competent personnel who have been trained in accordance with Franchisor's standards and who shall wear Franchisor's approved uniforms during working hours. All employees Franchisee hires or employs at the Baked Bear Store will be Franchisee's employees and Franchisee's employees alone, and will not, for any purpose, be deemed to be Franchisor's employees or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. Franchisee will file its own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for its employees and operations. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisor's authority under this Agreement to train and approve Franchisee's supervisorial or managerial personnel for qualification to perform certain functions at the Baked Bear Store does not directly or indirectly vest Franchisor with the power to hire, fire or control any of Franchisee's personnel. Franchisee will be solely responsible for all hiring and employment decisions and functions relating to the Baked Bear Store, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee is responsible for obtaining its own independent legal advice regarding the hiring of employees and independent contractors, and complying with any and all applicable laws pertaining thereto. Franchisee shall engage in no discriminatory employment practices and shall in every way comply with all applicable laws, rules and regulations of federal, state and local governmental agencies, including, without limitation, all wage-hour, civil rights, immigration, employee safety and related employment and payroll related laws. Franchisee shall make all necessary filings with, and to pay all taxes and fees due to, the Internal Revenue Service and all other federal, state and local governmental agencies or entities to which filings and payments are required. Any guidance Franchisor may give Franchisee regarding employment policies, including, but not limited to, creating its own employee handbook, and should be considered merely

examples. Franchisee will be responsible for establishing and implementing its own employment policies and should do so in consultation with local legal counsel experienced in employment law.

8.6 **Products and Services to be Offered for Sale.**

A. Franchisee acknowledges that the presentation of a uniform image to the public and the offering of uniform product lines is an essential element of a successful franchise system. In order to insure consistency, quality and uniformity throughout the System, Franchisee agrees (1) to sell or offer for sale only items, products and services that have been expressly approved for sale by Franchisor; (2) to sell or offer for sale all menu items, products and services required by Franchisor; (3) not to deviate from Franchisor's methods, standards and specifications regarding, without limitation, ingredients, methods of preparation and service, and weight, quality and dimensions of products served; and (4) to discontinue selling and offering for sale any menu items, products or services that Franchisor may, in its discretion, disapprove at any time. Franchisor shall assist Franchisee in obtaining items, products and services that conform to Franchisor's quality standards and specifications. Franchisor shall supply Franchisee with a list of Approved Suppliers from which Franchisee is required to purchase items, products or services for the Baked Bear Store that Franchisor designates as requiring purchase from Approved Suppliers. Franchisor may change this list from time to time, and upon notification to Franchisee, Franchisee shall only purchase items, products or services from Approved Suppliers as specified on the changed list. All of the packaging materials, paper and plastic products used in the operation of the Baked Bear Store that are available imprinted must be imprinted with the Marks and other insignias as prescribed by Franchisor from time to time. Franchisee agrees to keep the Baked Bear Store well stocked and be able at all times during business hours to provide customers with all menu items specified by Franchisor. Franchisor shall determine at its discretion whether Franchisee is adequately stocked.

B. In order to maintain consistency of product, quality, taste and identity of “The Baked Bear” brand, Franchisee agrees that all products, except those products specifically approved in writing by Franchisor, must be purchased exclusively from Approved Suppliers.

C. If Franchisee proposes to offer for sale any items, products or services that have not been approved by Franchisor, Franchisee shall first notify Franchisor in writing and submit sufficient information, specifications and samples concerning such product and/or supplier and/or service for a determination by the Franchisor whether such product or supplier or service complies with the Franchisor's specifications and standards and/or whether such supplier meets the Franchisor's Approved Supplier criteria. Franchisor shall, within ninety (90) days, notify Franchisee whether or not such proposed product and/or supplier or service is approved, as determined in Franchisor’s discretion. Franchisor reserves the right to charge Franchisee reasonable costs in connection with Franchisor’s review, evaluation and approval of alternative suppliers. These charges may include reimbursement for travel, accommodations, meal expenses, and personnel wages. Franchisor may from time to time prescribe procedures for the submission of requests for approved products and/or suppliers or services and obligations that Approved Suppliers must assume (which may be incorporated in a written agreement to be executed by Approved Suppliers). Franchisor reserves the right to revoke its approval of a previously authorized supplier, product or service when Franchisor determines in its discretion that such supplier, product or service is not meeting the specifications and standards established by Franchisor. If Franchisor modifies its list of approved products, and/or suppliers and/or services, Franchisee shall not, after receipt in writing of such modification, reorder any product or utilize any supplier, product or service that is no longer approved.

D. Franchisee acknowledges and agrees that the offer or sale of any products or services not approved by Franchisor shall constitute a material breach of this Agreement.

E. Franchisee acknowledges and agrees that Franchisor may become an Approved Supplier for all ice cream, cookie dough, toppings, products, logo items, menu boards, in shop signage and artwork, that Franchisor may derive income from the sale of such items, and that the price charged by Franchisor may reflect an ordinary and reasonable profit consistent with a business of the kind that produces and/or supplies such items.

F. Franchisee may only sell the products and services from the Baked Bear Store's Authorized Location, except as expressly permitted pursuant to the Food Truck Addendum attached to this Agreement as Exhibit 10, and may not use the internet or alternative channels of commerce to offer or sell the products and services unless permitted by Franchisor. Nothing in the foregoing shall prohibit Franchisee from obtaining customers over the Internet provided Franchisee's Internet presence and content comply with the requirements of this Agreement.

G. Franchisee acknowledges and agrees that Franchisor retains the right, in Franchisor's sole discretion, to offer products or services using the System and the Marks, or under a different format or brand name, in alternative channels of commerce, or in alternative methods of distribution, including, without limitation, distribution of products or services through supermarkets, grocery stores, convenience stores, gasoline stations, discount stores, kiosks, mobile kitchens, catering trucks, street vendor carts, stadiums, convention centers, concert halls, amusement parks, fair grounds, public gatherings, mail order facilities, internet based facilities, or onsite services for business locations.

8.7 **Compliance with Laws.**

A. Franchisee agrees to comply with all federal, state and local laws, rules, and regulations and shall as soon as practicable, but in any event prior to the opening for business of the Baked Bear Store, obtain all municipal and state permits, certificates or licenses necessary to operate the Baked Bear Store and shall file and publish, if required by applicable law, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee shall make all such permits, licenses and certificates available for inspection by representatives of Franchisor prior to the opening for business of the Baked Bear Store and thereafter at all times during Franchisee's business hours. Franchisee shall operate and maintain the Baked Bear Store in strict compliance with all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and any other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to provide immediately Franchisor with a copy of any notice received by Franchisee from any state, local or governmental agency pertaining to compliance with any codes or requirements, or the failure to comply with any codes or requirements, at the Baked Bear Store. Franchisee must at all times be current in its knowledge and understanding of all laws as they relate to the operation of the Baked Bear Store. Franchisee hereby certifies and represents that Franchisee, and any of its affiliates, any of its partners, members, shareholders or other equity owners, and their respective employees, officers, directors representatives or agents, are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control. Franchisee hereby agrees to defend, indemnify and hold harmless Franchisor from and against any and all claims, damages, losses, risks,

liabilities and expenses (including attorneys' fees and costs, and interest on such fees, costs and expenses) arising from or related to any breach of the certifications set forth in this paragraph

B. Franchisee shall manage the Baked Bear Store and its staff in compliance with all laws, the Manual and any other written or oral communication to Franchisee as prescribed by Franchisor. Franchisee agrees to abide by all employment laws, including, without limitation, Title VII of the Civil Rights Act, Family and Medical Leave Act, Americans with Disabilities Act, Consolidated Omnibus Budget Reconciliation Act, Fair Labor Standards Act, all state wage and hour laws, Internal Revenue Code and the immigration laws. Franchisor may from time to time provide information or training to assist Franchisee in gaining knowledge about applicable laws, but this does not in any way relieve Franchisee of its full responsibility and sole obligation to comply with such laws.

C. Franchisee shall honor all credit, charge, courtesy and cash cards that Franchisor approves in writing. To the extent Franchisee stores, processes, transmits or otherwise accesses or possesses cardholder data in connection with the sale of products and services at the Baked Bear Store, Franchisee is required to maintain the security of cardholder data and adhere to the then-current credit card security standards which can be found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term of this Agreement. Franchisee is responsible for the security of cardholder data in its possession or control and the possession or control of any of its employees that Franchisee engages to process credit cards. At Franchisor's request, Franchisee agrees to provide appropriate documentation to Franchisor to demonstrate compliance by Franchisee and all its employees with the "Payment Card Industry Data Security Standard" ("PCI DSS") requirements. In the event of a breach or intrusion of or otherwise unauthorized access to cardholder data, Franchisee must immediately notify Franchisor in the manner required in the PCI DSS requirements and provide an approved third-party full access to conduct a thorough security review following a security intrusion. In the event of termination or expiration of this Agreement, Franchisee and its respective successors and permitted assigns shall ensure compliance with PCI DSS requirements even after expiration of this Agreement

8.8 **Operational Efforts**. Franchisee shall apply its best, full-time efforts to the development, management and operation of the Baked Bear Store and shall at all times, faithfully, honestly and diligently perform Franchisee's obligations as outlined in this Agreement. Franchisee shall at all times remain responsible for the direct, day-to-day, full-time supervision of the Baked Bear Store, and Franchisor prefers that such supervision be exercised by Franchisee (or its Designated Operator) on an on-premises basis. Franchisee may, however, appoint a General Manager, who has successfully completed the Initial Training Program to Franchisor's satisfaction, to assist with the day-to-day, on-site supervision of the Baked Bear Store; provided, that the appointment of a General Manager does not relieve Franchisee of its continuing responsibility for the management and operation of the Baked Bear Store. If Franchisee (or its Designated Operator) is not the full-time on-site operator of the Baked Bear Store, Franchisee shall ensure that the General Manager receives incentive compensation tied to the performance or profitability of the Baked Bear Store; provided, however, that Franchisee retains sole discretion over the hiring, compensation, supervision, and termination of its employees and managers. The Baked Bear Store must have a dedicated General Manager responsible for the day-to-day, on-site supervision. Absent Franchisor's prior written approval, a General Manager may not concurrently manage, oversee, or be primarily responsible for more than one Baked Bear Store. If Franchisee elects to reassign a General Manager from one Baked Bear Store to another, Franchisee shall ensure that such General Manager is primarily responsible for the day-to-day, on-site supervision of the new Baked Bear Store for at least twelve (12) months following such reassignment. Franchisee must attend and successfully complete Franchisor's Initial Training program. Franchisee agrees to keep the Baked Bear

Store opened for the hours stated in the Manual and as deemed appropriate by Franchisor.

8.9 **Good Standing**. Franchisee will be considered in "Good Standing" if Franchisee is not in default of any obligation to Franchisor or any of Franchisor's affiliates, whether arising under this Agreement or any other agreement between Franchisee and Franchisor (or any of Franchisor's affiliates), the Manual or other System requirements.

8.10 **Media Inquiries and Crisis Situations**. Franchisee shall immediately notify Franchisor upon the occurrence of any situation that may have a material impact on Franchisee, Franchisor, the Baked Bear Store, or which could have a deleterious effect on the Brand, Marks, or System. Franchisee shall also notify Franchisor immediately when Franchisee receives any media inquiries concerning the Baked Bear Store or its location, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, and Franchisee shall direct all media inquiries to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium about the System, except as directed by Franchisor. Franchisee shall follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by the Franchisor or as specified in the Manuals, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters. Franchisor acknowledges that in certain cases Franchisee may be approached by media during, for example, an incident involving a fire or other disasters, and such impromptu comments are not intended to be prevented by this Section. Franchisee agrees that it will behave in a professional and courteous manner in any such impromptu interviews and will not discuss the System, but only the incident. Franchisee shall notify Franchisor at the first possible opportunity following the interview. Franchisee may not disseminate any press release unless it has been reviewed and approved in advance in writing by Franchisor.

9. ADVERTISING AND MARKETING

9.1 **General**. All advertising and promotion by Franchisee shall be clear and factual and not misleading and shall conform to the highest standards of ethical advertising and to advertising and promotion policies prescribed from time to time by Franchisor. Franchisee shall not use any advertising or promotional materials that have not been approved by Franchisor in writing. Franchisee shall not enter into any agreement with any advertising agency without the prior written approval of Franchisor, which may be withheld in Franchisor's discretion. Franchisee shall not advertise or use in advertising or in any other form of promotion the Marks of Franchisor without the Franchisor's written approval or without appropriate "©" or "®" copyright and registration marks or the designations "™" or "℠" where applicable. Franchisor may provide Franchisee with graphic designs, layouts and written copy for advertisements. Franchisee will be responsible to pay production costs for each item such as camera- ready ad slicks and typesetting of specific ads for the Baked Bear Store address. Franchisee is prohibited from advertising the Baked Bear Store in any manner on the Internet, World Wide Web or through any other electronic means without the prior written consent from Franchisor.

9.2. **No Warranty**. Franchisor does not warrant or represent that any of the advertising or promotional activities, materials or campaigns will be successful or will achieve any particular result.

9.3 **Marketing Fund.**

A. Franchisor may establish and administer an advertising**,** publicity, and marketing fund ("Marketing Fund") to promote the Baked Bear Brand. When and if a Marketing Fund is established, Franchisee agrees to make a Marketing Fund Contribution to the Marketing Fund in an amount, determined at Franchisor's discretion, up to one and one-half percent (1.5%) of Franchisee's annual Gross Sales (as defined in Section 5.3). The Marketing Fund Contribution will be payable to Franchisor, monthly, throughout the term of this Agreement. The Marketing Fund Contribution may be increased or decreased at Franchisor's discretion and upon thirty (30) days' written notice to Franchisee; however, no increase shall be higher than one and one-half percent (1.5%) of Franchisee's Gross Sales.

B. Franchisor has sole discretion over all matters relating to the Marketing Fund, and all related matters (consistent with its purposes and the provisions of this Agreement). The Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the Internet; administration expenses; legal fees incurred by or spent defending the Marketing Fund, brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future and the Brand; agency and consulting services; research, any expenses approved by Franchisor and associated with franchisee advisory groups (if any); and all or portions of the salaries, benefits or expenses of people Franchisor employs who work on Marketing Fund matters (except that such salaries, benefits or expenses will be charged pro rata based on the time they spend on Marketing Fund matters.) Among other things, Marketing Fund Contributions may be used for website development/operation and to pay Internet, Intranet, URL, 1-800 or similar number, and other charges, fees and/or expenses. A brief statement regarding the availability of Baked Bear Franchises may be included in advertising and other items produced using the Marketing Fund. Franchisor shall have no obligation in administering the Marketing Fund, to make expenditures for Franchisee which are equivalent or proportionate to any payments by Franchisee, or to ensure that any particular franchisee or any particular Baked Bear Store benefits directly or pro rata from advertising or promotion conducted under the Marketing Fund.

C. Franchisor and/or any affiliate can provide goods, services, materials, etc. (including administrative services and/or "in-house advertising agency" services) and be compensated and/or reimbursed for the same by the Marketing Fund, provided that any such compensation must be reasonable in amount. Franchisor can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Marketing Fund.

D. The Marketing Fund will be accounted for separately and may be used to pay all administrative and other costs of the Marketing Fund related to its activities and purposes and/or as authorized by the relevant Franchise Agreements. All taxes of any kind incurred in connection with or related to the Marketing Fund, its activities, contributions to the Marketing Fund and/or any other Fund aspect, whether imposed on Franchisor, the Marketing Fund or any other related party, will be the sole responsibility of the Marketing Fund. Franchisor will prepare financial statements for the Marketing Fund annually, which will be furnished to Franchisee upon written request. Such statements may be audited and any related accounting/auditing costs will be paid by the Marketing Fund. Funds in the Marketing Fund must be expended, prior to termination of the Marketing Fund, only for the purposes authorized by the relevant Franchise Agreement(s). No profit, gain or other benefit will directly accrue to Franchisor from the Marketing Fund. All interest earned on monies contributed to, or held in, the Marketing Fund

will be remitted to the Marketing Fund and will be subject to the restrictions of the relevant Franchise Agreement(s).

E. Subject to the express requirements of this Agreement that contributions made by Franchisee will only be spent as authorized herein, Franchisee agrees that Franchisor may deny access to, and the benefits of, any and all programs and/or materials created by the Marketing Fund to any Baked Bear Franchisee who is not in Good Standing.

9.4 **Local Advertising**. Local advertising is at the discretion of the Franchisee; provided, however, that (1) Franchisee agrees to spend a minimum of one percent (1%) of Franchisee's monthly Gross Sales for local advertising and promotional activities, and (2) Franchisee agrees to participate at Franchisee's cost in all promotions designated by Franchisor for the market in which the Baked Bear Store is located and shall be responsible for displaying all in-shop materials and the cost of products being promoted. Franchisor will provide report forms that Franchisee must complete each month and send to Franchisor to demonstrate that Franchisee has fulfilled its monthly requirement for local advertising expenditures. Franchisee agrees to submit copies of all local advertising and promotional activities material to Franchisor in advance and obtain written approval from Franchisor before using the advertising and promotional activities material. Franchisor will not place, run, or pay for any advertising, marketing or promotion used in association with local advertising. The term "Gross Sales" in this Agreement means the total revenues you receive from the sale of goods and services at or in connection with the Baked Bear Store, less sales taxes or similar taxes or refunds.

9.5 **Grand Opening Marketing.** Franchisee agrees to spend, within thirty (30) days of the opening of the Baked Bear Store for Grand Opening advertising, marketing and promotion (collectively, "Grand Opening Marketing") a minimum of Five Hundred Dollars ($500). Franchisor encourages Franchisee to spend up to One Thousand Five-Hundred Dollars ($1,500) on the Grand Opening Marketing. The Grand Opening Marketing shall be in the form, and using the advertising and promotional campaign and materials, reasonably designated or approved by Franchisor.

9.6 **Social Media Activities.** As used in this Agreement, the term "Social Media" is defined as a network of services, including, but not limited to, blogs, microblogs, and social networking sites (such as Facebook, LinkedIn, Instagram, Twitter, and TikTok), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp and Angie's List), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds, that allows participants to communicate online and form communities around shared interests and experiences. While it can be a very effective tool for building brand awareness, it can also be devastating to a brand if used improperly. Therefore, Franchisee must strictly follow the Social Media guidelines, code of conduct, and etiquette as set forth in the Manual. Any use of Social Media by Franchisee pertaining to the Baked Bear Store must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. Franchisor reserves the right to "occupy" any Social Media websites/pages and be the sole provider of information regarding the Baked Bear Store on such websites/pages (e.g., a system-wide Facebook page). At Franchisor's request, Franchisee will promptly modify or remove any online communication pertaining to the Baked Bear Store that does not comply with this Agreement or the Manual. Franchisee agrees to provide Franchisor access (i.e., passwords) to all Franchisee's social media platforms that are related to the Baked Bear Store, the franchise, and the Baked Bear trademarks. Franchisor will manage the content on the local Facebook page for the Baked Bear Store and Franchisee agrees to pay Franchisor a "Social Media Management Fee," which fee is currently $100 per month, for such social media management services. Additionally, Franchisee agrees to pay Franchisor monthly fees for advertising on Instagram and TikTok ("Social Media

Ad Budget"), which fee is currently $250 per month. Franchisor may increase or decrease any of the social media fees upon thirty (30) days' written notice to Franchisee.

9.7 **Franchisee Advertising Council**. Franchisor reserves the right, if necessary and in Franchisor's sole judgment, to establish a Franchisee Advertising Council. The Franchisee Advertising Council will be composed of an elected body of franchisees for the purpose of providing Franchisor with input on advertising and marketing issues. The Franchisee Advertising Council will operate under its own by-laws and will be purely advisory in nature and will have no operational or decision-making authority.

10. FINANCIAL REPORTS, AUDITS, COMPUTER SYSTEM, AND INSURANCE REQUIREMENTS

10.1 **Records and Reports.** Franchisee shall maintain and preserve for four (4) years or such period as may be required by law (whichever is greater) from the date of their preparation such financial information relating to the Baked Bear Store as Franchisor may periodically require, including without limitation, Franchisee's sales and use tax returns, register tapes and reports, sales reports, purchase records, and full, complete and accurate books, records and accounts prepared in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor. Franchisee shall maintain its financial books and records with standard business accounting software (e.g., QuickBooks) or use a professional bookkeeper. Franchisee shall provide Franchisor with monthly and annual balance sheets and income statements prepared in accordance with generally accepted accounting principles. If requested by Franchisor, monthly financial statements shall be delivered to Franchisor within twenty-one (21) days following the end of each month, and the year-end financial statements shall be delivered to Franchisor within sixty (60) days after the end of Franchisee's fiscal year. Each report and financial statement submitted by Franchisee shall be verified as correct and signed by Franchisee. Franchisee shall immediately report to Franchisor any events or developments that may have a material adverse impact on the operation of the Baked Bear Store or Franchisee's performance under this Agreement. In addition, Franchisee shall submit to Franchisor copies of all sales tax and income tax returns relating to the Baked Bear Store and of each of the Principal Owners at the same time as the original is filed with the taxing authority. Franchisee agrees that its financial records shall be accurate and up-to-date at all times. Franchisee agrees to promptly furnish any and all financial information relating to the Baked Bear Store to Franchisor on request.

10.2 **Right to Conduct Audit or Review**. Franchisor shall have the right, in its sole determination, to require a review by such representative(s) as Franchisor shall choose, of all information pertaining to the Baked Bear Store including, without limitation financial records, books, tax returns, papers, and point-of-sale system of Franchisee at any time during normal business hours without prior notice for the purpose of accurately tracking unit and System-wide sales, sales increases or decreases, effectiveness of advertising and promotions, and for other reasonable business purposes. Such review will take place at the Baked Bear Store, and Franchisee agrees to provide all information pertaining to the Baked Bear Store requested by Franchisor during its review. If the review is done because of a failure by Franchisee to furnish reports, supporting records or other required information or to furnish the reports and information on a timely basis, Franchisee shall reimburse Franchisor for all costs of the audit or review including, without limitation, travel, lodging, wage expense and reasonable accounting and legal expense. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law. Franchisor shall have the right to conduct an audit and/or review of all information pertaining to the Store upon termination or expiration of this Agreement.

10.3 **Computer System, Equipment and Software.**

A. Franchisee must acquire a computer for use in the operation of the Baked Bear Store. Franchisee shall install and use the electronic data processing and communications hardware and software, including voicemail, business management systems, and a point-of-sale ("POS") reporting system, as Franchisor may designate (collectively, the "Computer System"). Franchisee agrees to maintain broadband connection to the required Computer System and to any other specified points of connection according to Franchisor's standards and specifications. Franchisee must upgrade and maintain the computer hardware and software and the POS system in the Baked Bear Store, as required by Franchisor from time to time, and pay any fees associated with such upgrades. Franchisor reserves the right, at its sole discretion, to apply such upgrades or changes automatically and without notice in the event that Franchisee fails to promptly take action to operate the Baked Bear Store to required standards.

B. Franchisee agrees to record all of its receipts, expenses, invoices, customer lists, and employee schedules and other business information promptly in the Computer System and use the software and POS system that Franchisor specifies or otherwise approves. Franchisor reserves the right to change the Computer System, and the accounting, business operations, customer service and other software at any time.

C. Data, including names, addresses, contact information, and credit card or payment information of customers of the Baked Bear Store will be captured on the required software, and will become the joint property of Franchisee and Franchisor during the Term of this Agreement. Franchisee is solely responsible for ensuring that the capture of customer data is done in compliance with any and all local, state, and federal privacy laws. Franchisor will have independent access to information Franchisee generates and stores in the Computer System, including full and unrestricted administrative access to the business, tax, and accounting information. Franchisee will provide Franchisor with any passwords necessary to access the business information for the Baked Bear Store that is stored on the required software and online. Franchisor may use such information to communicate directly to the customers of the Baked Bear Store and to provide updates, information, newsletters, and special offers to the customers. Upon expiration or termination of this Agreement, Franchisee shall have no further access or rights to the customer information and Franchisor shall be the sole owner of such information.

D. Obtaining and operating the Computer System and the POS system and software will be the Franchisee's responsibility and expense. Franchisee agrees to provide Franchisor with an e-mail address for communication.

E. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 10.3 was periodically revised by Franchisor for that purpose.

F. Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and cyber-attacks by hackers and other unauthorized intruders, and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures, or attacks.

G. Franchisee agrees to take all reasonable and prudent steps necessary to ensure that its and its customers' data is protected at all times from unauthorized access or use by a third party or misuse, damage or destruction by any person.

H. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies Franchisor periodically may establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Store.

10.4 **Gift Card Program.** Franchisee agrees to participate in any gift card program instituted by Franchisor for all Baked Bear Franchisees to sell, issue, or redeem gift cards (the "Gift Card Program"). Franchisee shall sell or otherwise issue Baked Bear gift cards to its customers and honor all Baked Bear gift cards presented at the Baked Bear Store as payment for products and services, regardless of whether the gift card was sold or issued by Franchisee or another Baked Bear Store. When Franchisee sells or issues a gift card, Franchisee will keep the amount paid in its account until the gift card is redeemed. Franchisor will reconcile Franchisee's account with Franchisor by: (1) crediting Franchisee for the full value of all gift card transactions redeemed by Franchisee weekly from other Baked Bear Stores that issued the gift cards; and/or (2) debiting Franchisee for the full value of each gift card sold at the Baked Bear Store but redeemed at a different location. Franchisee will pay Royalties on sales paid by redeemed gift cards in the Baked Bear Store. The Baked Bear gift cards have no expiration date; therefore, Franchisee will remain liable for each gift card sold at the Baked Bear Store upon it is redeemed for an undetermined amount of time. If this Agreement is terminated and not renewed, Franchisee must pay Franchisor the full value of any outstanding gift cards sold at the Baked Bear Store that were not redeemed before the termination of this Agreement.

10.5 **Insurance.**

A. Prior to the opening for business of the Baked Bear Store and throughout the entire term of this Agreement, Franchisee will keep in force at Franchisee's own expense and by advance payment of the premium, the following insurance coverage:

(1) Worker's compensation, employer's liability, and such insurance to meet statutory requirements;

(2) Commercial General Liability Insurance, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring you and us against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the Baked Bear Store including general aggregate coverage in the following limits:

Required Coverage	**Minimum Limits of Coverage**
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal and Advertising Injury	$1,000,000
Each Occurrence	$1,000,000

Damage to Rented Premises (each occurrence)	$100,000
Medical Expense (any one person)	$2,500

(3) "ALL RISK" or special property coverage of not less than current replacement cost of the Baked Bear Store's glass, equipment, fixtures and leasehold improvements sufficient in the amount to restore the Baked Bear Store to full operations; and

(4) Business interruption insurance with coverage for at least twelve (12) months for actual losses; (For purposes of this Agreement, "Gross Sales shall include any proceeds received by Franchisee in connection with a "business interruption" insurance claim).

(5) If Franchisee has company-owned vehicles (e.g., van, food truck, etc.), automobile liability insurance for owned and non-owned automobiles including personal injury, wrongful death, and property damage with single limit coverage of at least One Million Dollars ($1,000,000).

(6) Cyber Liability Insurance with a minimum coverage amount as set forth in the Manual and/or as otherwise determined by Franchisor and communicated to Franchisee.

B. The insurance policies described above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits.

C. All insurance policies must be written by an insurance company licensed in the state in which you operate the Baked Bear Store. The insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide.

D. Franchisor reserves the right from time to time to upgrade the insurance requirements as to policy limits, deductibles, scope of coverage, rating of carriers, etc. Within sixty (60) days of receipt of notice from Franchisor, Franchisee agrees to revise its coverage, as specified in any notice from Franchisor.

E. Franchisee's obligation to obtain and maintain the forgoing insurance policy or policies in the amounts specified shall not be limited by reason of any insurance that may be maintained by Franchisor nor relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. Franchisee's insurance procurement obligations under this Section 10.5 are separate and independent of Franchisee's indemnity obligations.

F. Additional Insured Endorsement. All insurance shall name Franchisor as an additional insured, waive any subrogation rights or other rights to assert a claim back against Franchisor and shall contain a clause requiring notice to Franchisor thirty (30) days in advance of any cancellation or material change to any such policy. The "Additional Insured Endorsement" must be approved in writing by Franchisor and name Franchisor and its respective officers, directors, partners, members, affiliates, subsidiaries and employees as additional insureds. Additional insured status shall include, without limitation, coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20 26 or any other form approved in writing by Franchisor that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) the negligent acts, errors or omissions of Franchisor or other additional insureds. Franchisee shall maintain such additional insured status for Franchisor on its general liability policies continuously during the term of this Agreement.

G. The insurance policies described above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits. Franchisee shall provide Franchisor with copies of certificates of coverage, insurance policy endorsements, and other evidence of compliance with these requirements, at least annually, or as Franchisor periodically requires. Franchisee's failure to obtain or the lapse of any of the required insurance coverage shall be grounds for the immediate termination of this Agreement pursuant to Paragraph 15.2, and Franchisee agrees that any losses, claims or causes of action arising after the lapse of or termination of insurance coverage will be the sole responsibility of Franchisee and that Franchisee will hold Franchisor harmless from all such losses, claims and/or causes of action. In addition, but not to the exclusion of the foregoing remedy, if Franchisee fails to procure or maintain the required insurance, Franchisor shall have the right and authority, but not the obligation, to procure immediately the insurance and Franchisee shall reimburse Franchisor for the cost of the insurance plus reasonable expenses immediately upon written notice. Franchisee is required to submit to Franchisor a copy of a Certificate of Insurance, with Franchisor as an additional insured, showing compliance with the foregoing requirements at least thirty (30) days before Franchisee commences operation of the Baked Bear Store. Franchisor shall have a security interest in all insurance proceeds to the extent Franchisee has any outstanding obligations to Franchisor.

11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

11.1 **Independent Contractor**. The only relationship between Franchisor and Franchisee created by this Agreement is that of independent contractor, that the business conducted by Franchisee is completely separate and apart from any business that may be operated by Franchisor and that nothing in this Agreement shall create a fiduciary relationship between them or constitute either party as agent, legal representative, subsidiary, joint venturer, partner, employee, general contractor, servant or fiduciary of the other party for any purpose whatsoever. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Franchisor, and Franchisee agrees to take such action including exhibiting a notice to that effect in such content, form and place as Franchisor may specify. It is further specifically agreed that Franchisee is not an affiliate of Franchisor and that neither party shall have authority to act for the other in any manner to create any obligations or indebtedness that would be binding upon the other party. Neither party shall be in any way responsible for any acts and/or omissions of the other, its agents, servants or employees and no representation to anyone will be made by either party that would create an implied or apparent agency or other similar relationship by and between the parties.

11.2 **Indemnification**. Franchisee shall indemnify, defend and hold harmless Franchisor, its current and former affiliates, and their respective officers, directors and employees, accountants, and lawyers against any and all suits, claims, liabilities, costs and expenses, including, without limitation, attorneys' fees in any way relating to, arising out of or in conjunction with Franchisee's or Franchisee's employees' actions or inaction of the franchised business licensed hereunder. Franchisor reserves the right to appoint its own attorney. Franchisee waives and releases all claims against Franchisor for damages to property or injuries to persons arising out of the operation of the Baked Bear Store, including any such claims currently unknown to Franchisee and arising at any time during the term of this Agreement.

12. CONFIDENTIAL INFORMATION

12.1 **Franchisor's Confidential Information**.

A. Franchisee acknowledges and agrees that all information relating to the System and to the development and operation of the Baked Bear Store, including, without limitation, the Manual, Franchisor's training program, customer and supplier lists, recipes, or other information or know-how distinctive to the Baked Bear Store (all of the preceding information is referred to herein as the "Confidential Information") are considered to be proprietary and trade secrets of Franchisor. Franchisee agrees that all Confidential Information is to be held in the strictest of confidence during and after the term of this Agreement and is not to be divulged to anyone directly or indirectly at any time, except to the Baked Bear Store's employees with a need to know the information in order to operate the Baked Bear Store. Franchisee shall not acquire any interest in the Confidential Information other than the right to utilize it in the Baked Bear Store and agrees not to copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make them available to any unauthorized person, nor use them in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee shall adopt and implement all reasonable procedures to prevent unauthorized use, duplication or disclosure of Franchisor's Confidential Information. If Franchisee or Franchisee's employees learn about an unauthorized use of any trade secret or confidential materials, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action, but will respond to the information as it deems appropriate. If Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, the doctrine of "inevitable disclosure" will apply, and it will be presumed that Franchisee is in violation of this covenant; and in such case, it shall be Franchisee's burden to prove that Franchisee is not in violation of this covenant.

B. Franchisee agrees that any new concept, process or improvement in the operation or promotion of the Baked Bear Store developed by or on behalf of Franchisee that relates to or enhances the System, or any aspect of Franchisor's business, shall be the sole property of Franchisor, and Franchisee shall promptly notify Franchisor and shall provide Franchisor with all necessary information and execute all necessary documents with respect thereto, without compensation. Franchisee acknowledges that Franchisor may utilize or disclose such information to other Franchisees. Franchisor may require that Franchisee and each of its managers and employees execute covenants of confidentiality, in the form attached hereto as Exhibit 7, agreeing that they will not disclose any Confidential Information.

12.2 **No Other Interests.** Franchisee further acknowledges that Franchisor would be unable to protect its Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the if Franchisor's Franchisees were permitted to hold an interest in other ice cream/frozen confection businesses and otherwise to compete with Franchisor. Therefore, during the term of this Agreement, Franchisee must comply with the competitive covenant provisions of Article 13 herein.

12.3 **Injunctive Relief.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of this Article 12. Franchisee acknowledges and agrees that any failure to comply with the requirements of this Article 12 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to injunctive relief as specified in Paragraph 16.2 herein to enforce the terms of this Article 12. Franchisee shall pay all costs

and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of this Article 12. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

13. COVENANTS NOT TO COMPETE

13.1 **Sole Business Activity and Non-Competition Covenants of Franchisee.** Franchisor and Franchisee agree that Franchisee shall devote its full-time efforts to the franchised business and that, during the term of the Franchise, unless agreed to in writing, in advance by Franchisor, Franchisee shall not actively manage or engage in another business of any kind, but rather, shall devote its best efforts and full-time effort to the management of the Franchise. Further, to prevent a conflict of interest and unfair competition based upon Franchisee's knowledge and use of the System, the Marks, and other Confidential Information, Franchisee, including all officers, directors, holders of beneficial interests of Franchisee, members, general partners, any limited partners and their respective spouses and immediate family members, covenant and agree, pursuant to this Agreement, that Franchisee, shall not without Franchisor's prior written consent, directly or indirectly, as an individual, owner, partner, stockholder, member, employer, employee, consultant, or in any other capacity, participate in or share the earnings or profits of any ice cream/frozen confection business, including but not limited to, ice cream sandwiches, cookies, and other products the same or similar to those offered in the franchised business, any ice cream/frozen confection marketing or consulting business, or any business offering products of a similar nature to those of the franchised business, or in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses: (i) during the term of this Agreement and any extensions or renewals, at any location other than the Baked Bear Store, (ii) for two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement anywhere within a five (5) mile radius of any Baked Bear Store whether franchised or owned by Franchisor or any of Franchisor's affiliates, and (iii) for two (2) years after Franchisee has assigned its interest in this Agreement anywhere within a five (5) mile radius of any the Baked Bear Store whether franchised or owned by Franchisor or any of Franchisor's affiliates.

13.2 **Franchisor's Right to Offer or Sell a Franchise to Employee of Franchisee.** Franchisee acknowledges that Franchisor has the right to offer to sell or to sell a Baked Bear Franchise to any employee of Franchisee.

13.3 **Covenants of Affiliates of Franchisee.** Upon Franchisor's request, Franchisee shall require the following persons to execute covenants, in the form attached hereto as Exhibit 8, similar to those set forth in this Article 13 (including covenants applicable upon the termination of a person's relationship with Franchisee): (1) all managers and field operations supervisors of Franchisee; (2) all officers, directors, members, partners, general partners, limited partners and holders of a beneficial interest of Franchisee; and (3) the spouse of each such person.

13.4 **Enforcement of Covenants.**

A. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of the covenants in this Article 13. Franchisee acknowledges and agrees that in view of the nature of the System and the business of Franchisor, the restrictions contained in this Article 13 are reasonable and necessary to protect the legitimate interests of System and Franchisor. Franchisee further acknowledges and agrees that Franchisee's violation of the terms of this Article 13 will cause irreparable

injury to Franchisor for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to preliminary and permanent injunctive relief and damages, as well as, an equitable accounting of all earnings, profits, and other benefits arising from such violation, which remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor shall be entitled. Franchisee agrees to waive any bond that may be required or imposed in connection with the issuance of any preliminary or provisional relief. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, (and interest on such fees, costs, and expenses) incurred by Franchisor in connection with the enforcement of this Article 13. If Franchisee violates any restriction contained in this Article 13, and it is necessary for Franchisor to seek equitable relief, the restrictions contained herein shall remain in effect until two (2) years after such relief is granted. If Franchisee contests the enforcement of Article 13 and enforcement is delayed pending litigation, and if Franchisor prevails, the period of non-competition shall be extended for an additional period equal to the period of time that enforcement of this Article 13 is delayed.

B. Franchisee agrees that the provisions of this covenant not to compete are reasonable. If, however, any court should find this Article 13 or any portion of this Article 13 to be unenforceable and/or unreasonable, the court is authorized and directed to reduce the scope or duration (or both) of the provision(s) in issue to the extent necessary to render it enforceable and/or reasonable and to enforce the provision so revised.

C. Franchisor shall have the right, in Franchisor's discretion, to reduce the scope of any covenant not to compete set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply with any covenant as so modified.

14. TRANSFER OF INTEREST

14.1 **Franchisor's Approval Required.** All rights and interests of Franchisee arising from this Agreement are personal to Franchisee and except as otherwise provided in this Article 14, Franchisee shall not, without Franchisor's prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, pledge or encumber its interest in this Agreement, in the license granted hereby, in the assets of the Baked Bear Store, any of its rights hereunder, or in the lease for the premises at which the Baked Bear Store is located, and any purported sale, assignment, transfer, pledge or encumbrances shall be null and void. If Franchisee is a corporation, limited liability, partnership, or an individual or group of individuals, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Paragraph 17.9 of this Agreement must promptly be reported to Franchisor and is a "transfer" within the meaning of this Article 14.

14.2 **Right of First Refusal**.

A. No transfer by Franchisee shall be permitted nor be binding on Franchisor unless a written offer has first been made to Franchisor of the proposed transfer. Franchisee shall provide Franchisor the following: (i) a purchase agreement or letter of intent signed by the proposed transferee and by Franchisee specifying all the terms and conditions of the offer, (ii) the name, address and telephone number of the proposed assignee, (iii) a copy of the most recent income statement and the income statement from the Baked Bear Store's last fiscal year end, (iv) financial statements of the proposed transferee, and (v) any other information or documents as may be reasonably be requested by Franchisor.

Franchisor shall have thirty (30) days from receipt of all of the above information to accept the offer, by written notice to Franchisee, upon the same terms and conditions offered by the proposed transferee.

B. In the event that Franchisor does not exercise its right of first refusal and the offer changes in any way, or another offer is made to Franchisee, this new offer must also be presented to Franchisor. Franchisor has thirty (30) days to accept the new offer, by written notice to Franchisee, upon the same terms and conditions offered by the proposed transferee. Any offer that Franchisor does not match must be transacted within ninety (90) days from the date that Franchisor informs Franchisee of its intent not to exercise its right of first refusal. If the transaction does not take place within ninety (90) days, Franchisor has the right to re-evaluate and match the offer if it elects to do so by notice to Franchisee.

C. Partial Transfers. Any transfer of less than one hundred percent (100%) of Franchisee's ownership interest shall not trigger Franchisor's right of first refusal and shall instead be subject to Franchisor's prior written approval pursuant to this agreement.

D. SBA-Financed Transfers. Notwithstanding anything to the contrary in this section 14.2, Franchisor shall not exercise its right of first refusal in a manner that would prevent, delay, or invalidate a transfer approved in connection with financing guaranteed by the U.S. Small Business Administration, provided that the proposed transferee otherwise satisfies Franchisor's reasonable and uniformly applied qualification standards.

14.3 **Conditions for Approval of Transfer.** If the required offer has been made and the offer has not been accepted by Franchisor within the acceptance period, Franchisor shall not unreasonably withhold its approval of the transfer, provided that the prospective transferee, in Franchisor's reasonable judgment, is of good moral character and reputation, has no conflicting interests, has a good credit rating and sufficient and competent business experience, aptitude and financial resources acceptable to Franchisor's then current standards for franchisees, will devote best efforts to management of the Baked Bear Store, and further provided that the Franchisor shall require that the following conditions be met prior to or concurrently with the effective date of the transfer:

A. The transferee shall meet with Franchisor and be approved in writing by Franchisor;

B. The transfer is upon terms and conditions that are not more favorable to the transferee than the terms and conditions offered to Franchisor;

C. Franchisee shall have satisfied all outstanding obligations, monetary or otherwise, of Franchisee to Franchisor and its affiliates;

D. Franchisee shall have substantially complied with all of the terms and conditions of this Agreement and any amendments hereof, and is not in default of any provision of this Agreement;

E. Franchisee, including all its shareholders, members or partners shall execute and deliver to Franchisor a general release, in a form prescribed by Franchisor, of all claims against Franchisor and its affiliates, officers, directors, shareholders, members, and their employees in their corporate and individual capacities;

F. If required by lease, the Lessor of the premises of the Baked Bear Store has consented to Franchisee's transfer or sublease of said premises, a copy of which consent shall be provided to Franchisor (which lease shall continue to have the riders or addenda protecting Franchisor's interest, as set forth in Paragraph 7.2);

G. At the time the proposed transfer is first presented to Franchisor for approval or disapproval, Franchisee shall pay Franchisor a "Transfer Fee" in an amount equal to fifty percent (50%) of the then-current Initial Franchise Fee, which fee will be used to defray expenses incurred by Franchisor in connection with the transfer, including without limitation, legal and accounting fees, overhead, credit and other investigation charges, and evaluation of the transferee and terms of the transfer. The Transfer Fee, less any administrative costs incurred by Franchisor to review the proposed transfer and evaluate the prospective transferee, is refundable if the proposed transfer is not approved by Franchisor;

H. Franchisee, including all its shareholders, members or partners shall execute an indemnity agreement regarding Franchisee's operations prior to the transfer and a confidentiality and non-competition covenant in favor of Franchisor and transferee in accordance with the provisions of Articles 12 and 13 herein, effective the date of the assignment;

I. Franchisee shall enter into an agreement with Franchisor agreeing to subordinate any obligations which transferee owes to Franchisee to the obligations which transferee owes to Franchisor, including, without limitation, any royalties/Flat Rate Fees and any advertising or marketing fees;

J. Franchisee and transferee may not create a security interest in any of the assets of the Baked Bear Store to be executed by the prospective transferee, unless the secured party agrees that in the event of a default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee;

K. Prior to the closing of the sale, the transferee/new franchisee and its designated supervisorial or managerial personnel must attend and satisfactorily complete Franchisor's initial training program (as specified in Paragraph 6.3 of this Agreement), at a time and place designated by Franchisor. The Transfer Fee will cover the cost of the initial training program for the transferee/new franchisee and its designated supervisorial or managerial personnel. The transferee/new franchisee shall be responsible for all travel, lodging, food, wages, and other expenses it and its supervisorial or managerial personnel incur in attending the initial training program;

L. The transferee shall execute, for a term ending on the expiration date of this Agreement, Franchisor's then current standard form Franchise Agreement, which may materially differ from the terms of this Agreement; provided; however, that transferee shall not be required to pay an Initial Franchise Fee and that the Baked Bear Store provided for in this Agreement shall remain the same;

M. The transferee, including all current and future shareholders, members or partners that will become the new Franchisee shall personally guarantee performance of the Franchise Agreement in a form prescribed by Franchisor;

N. The transferee, at its expense, shall upgrade, refurbish and repair the Baked Bear Store as Franchisor may prescribe to conform to then-current standards and specifications of the System and shall complete the upgrade, refurbish and repair within a time specified by Franchisor; and

O. If transferee is a corporation or limited liability company, transferee shall have:

(1) All stock certificates representing shares in the corporation or evidence of ownership in the limited liability company, whichever is applicable, clearly indicating that they are subject to the terms of this Agreement;

(2) No new common or preferred voting shares in the corporation or similar interests in the limited liability company, whichever is applicable, can be issued to any person, trust, foundation, corporation or other entity without Franchisor's prior written approval;

(3) All shareholders, officers, directors and any beneficial owners of the transferee corporation, or all members or beneficial owners of the transferee limited liability company, whichever is applicable, must personally guarantee the corporation's or limited liability company's performance of its obligations under the Franchise Agreement;

(4) Transferee shall provide Franchisor with a copy of the fully-executed legal documents that reflect the formation of the business entity, including evidence of distribution of ownership; and

(5) Regardless of the foregoing, nothing contained herein shall be construed to permit Franchisee to disclose any Confidential Information to a prospective transferee without the express written consent of Franchisor.

14.4 **Permitted Transfers to a Corporation, LLC or Affiliate Company**. If Franchisee is an individual or partnership, and desires to assign and transfer its rights, assets and obligations under this Agreement to a corporation or limited liability company that is wholly owned by Franchisee and formed for the convenience of ownership, it may if the following conditions are met:

A. Franchisee obtains Franchisor's prior written consent on Franchisor's form and execute Franchisor's form of general release in favor of Franchisor;

B. Franchisee's corporation or limited liability company is newly organized, and its activities are confined exclusively to acting as a Baked Bear Franchisee under this Agreement;

C. Franchisee is in full compliance with this Agreement;

D. Franchisee is current in meeting all financial obligations to Franchisor and its affiliates;

E. Franchisee shall own and control all of the equity and voting power of all issued and outstanding stock of the transferee corporation or all of the equity and voting power of the limited liability company and, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the corporation or limited liability company as he or she had in Franchisee prior to the transfer;

F. Franchisee actively manages the corporation or limited liability company and continues to devote his best efforts to the development and operation of the license and the business of the Baked Bear Store;

G. Franchisee executes a written assignment to said transferee corporation or limited liability company, and Franchisee and all shareholders of the transferee corporation or all members of the limited liability company, execute a document in a form prescribed by Franchisor in which they agree to remain jointly and severally liable for full payment and performance and all obligations under this Agreement;

H. Franchisee submits to Franchisor a copy of Franchisee's Articles of Incorporation, partnership documents, operating agreement, bylaws, or a copy of those fully-executed legal documents that reflect the formation of such entity, including evidence of distribution of ownership. Franchisee must also provide Franchisor with a certificate of good standing from the state where Franchisee's entity is formed;

I. No new common or preferred voting shares in said corporation, or any similar interests in said limited liability company, whichever is applicable, are issued to any person, partner, partnership, trust, foundation, corporation, limited liability company or other entity of any kind without Franchisor's prior written consent, which consent will not be unreasonably withheld, and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the stock or membership interests, whichever is applicable; and

J. The corporate or limited liability company name of Franchisee's business entity may not include the word "The Baked Bear", "Baked Bear", or any of the Marks licensed under this Agreement.

K. If all of the above conditions are met and transfer to said corporation or limited liability company is approved by Franchisor, the Transfer Fee shall be waived in this transaction only.

14.5 **Death or Disability of Franchisee**. In the event of the death or disability of Franchisee, if an individual, or of a stockholder of a corporate Franchisee, or of a partner of a Franchisee which is a partnership, or a member of a Franchisee which is a limited liability company, the transfer of Franchisee's or the deceased stockholder's, partner's or member's interest in this Agreement to his or her heirs, trust, personal representative or conservators, as applicable, must occur within six (6) months of the death or disability, but, shall not be deemed a transfer by Franchisee (provided that the responsible supervisorial or managerial personnel or agents of Franchisee have been satisfactorily trained at Franchisor's Initial Training), nor obligate Franchisee to pay any Transfer Fee, nor give rise to Franchisor's right of first refusal, although such refusal right or obligation to pay shall apply to any proposed transfer by such heirs, trust, personal representative or conservators; provided however, if Franchisor determines (i) there is no imminent transfer to a qualified successor or (ii) there is no heir or other principal person capable of operating the Baked Bear Store, Franchisor shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Baked Bear Store on behalf of Franchisee. Franchisee shall be obligated to and shall pay to Franchisor all reasonable costs and expenses for such management assistance, including without limitation, the manager's salary, room and board, travel expenses and all other related expenses of the Franchisor appointed manager. Operation of the Baked Bear Store during any such period shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee or its owners for any debts, loses or obligations incurred by the Baked Bear Store, or to any creditor of Franchisee for any supplies, inventory, equipment, furniture, fixtures or services purchased by the Baked Bear Store during any period in which it is managed by a Franchisor appointed manager. Franchisor may, in its sole discretion, extend the six (6) month period of time for completing a transfer contemplated by this Section.

14.6 **Relocation**. Except in cases when Franchisee is in default of its lease, if the Baked Bear Store location is lost through condemnation, loss of lease, fire or other casualty, Franchisee may identify a new Authorized Location within the same Designated Market Area in which the Baked Bear Store was located, subject to consent of Franchisor. Franchisee must apply for Franchisor's consent to relocate at the new Baked Bear Store location and execute a general release in favor of Franchisor, both in the form prescribed by Franchisor. Franchisor will consent to or reject Franchisee's relocation application in accordance with its then-current relocation and closure policy. If the Baked Bear Store is temporarily closed pending relocation, Franchisee may not assign any interest in the franchise to another party or entity until such time as the Baked Bear Store is once again in operation, as determined by Franchisor. Any such relocation shall be at Franchisee's sole expense and Franchisor shall have the right to charge Franchisee for any costs incurred by Franchisor, and a reasonable fee for its services, in connection with any such relocation.

14.7 **Transfer by Franchisor**. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations herein to any person or legal entity, directly or indirectly, by merger, assignment, pledge or other means.

15. DEFAULT AND TERMINATION OF AGREEMENT

15.1 **Termination of Franchise by Franchisee**. If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure or remedy such breach within ninety (90) days after written notice thereof delivered from Franchisee, Franchisee may terminate this Agreement. Such termination will be effective thirty (30) days after delivery to Franchisor of notice that such breach has not been cured or remedied and Franchisee elects to terminate this Agreement. A termination by Franchisee for any other reasons shall be deemed a termination by Franchisee without cause.

15.2 **Termination of Franchise by Franchisor**. Franchisor shall have the right to terminate this Agreement for "good cause" upon delivering notice of termination to Franchisee. For purposes of this Agreement, "good cause" shall include, without limitation: (1) a material breach of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, (2) intentional, repeated or continuous breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, and (3) the breaches set forth below:

(1) **Immediate Termination**. Franchisee shall be deemed to be in default and Franchisor may terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, and such termination shall be for good cause where the grounds for termination are:

(a) Franchisee has made any material misrepresentation or omission in applying for the franchise or in executing or performing under this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates;

(b) Franchisee becomes insolvent by reason of Franchisee's inability to pay debts as they become due, or makes an assignment for the benefit of creditors or makes an admission of Franchisee's inability to pay obligations as they become due;

(c) Franchisee files a petition in bankruptcy, or an involuntary petition in bankruptcy is filed against Franchisee or a receiver is appointed for Franchisee's business, or a final judgment remains

unsatisfied or of record for 30 days or longer; or if Franchisee is a corporation, limited liability company or partnership, Franchisee is dissolved;

(d) Franchisee voluntarily abandons or discontinues to actively operate the Baked Bear Store for two (2) consecutive business days or more in any twelve (12) month period, and it is readily apparent that Franchisee has closed or abandoned the store and has discontinued operations;

(e) Franchisee or any of its principal officers, directors, partners or managing members is convicted of or pleads no contest to a felony or other crime or offense that adversely affect the reputation of the System or the goodwill associated with the Marks;

(f) Franchisee makes an unauthorized direct or indirect transfer or attempted or purported transfer of this Agreement, or makes an unauthorized direct or indirect transfer or attempted or purported transfer of an ownership interest in the Franchise, or fails or refuses to transfer the Franchise or the interest in the Franchise of a deceased or disabled controlling owner thereof as required;

(g) Franchisee falsifies any financial reports or records required to be provided by Franchisee to Franchisor under this Agreement;

(h) Franchisee's disclosure, utilization, or duplication of any portion of the System, the Manual or other proprietary or Confidential Information relating to the Baked Bear Store that is contrary to the provisions of this Agreement;

(i) Franchisee violates any health or safety law, ordinance or regulation or operates the Baked Bear Store in a manner that presents a health or safety hazard to its customers or to the public;

(j) Franchisee fails to obtain lawful possession of an acceptable location and to open for business as the Baked Bear Store within eighteen (18) months after this Agreement is accepted by Franchisor;

(k) Franchisee defaults under the lease agreement or otherwise loses the right to possess the premises at the location at which the Baked Bear Store is located;

(l) Franchisee fails to comply with the covenants not to compete as required in Article 13 herein; or

(m) Franchisee, after curing a default pursuant to Paragraph 15.2(2) herein, commits the same act of default again within any twelve (12) consecutive month period whether or not such default is cured after notice thereof is delivered to Franchisee, or if Franchisee received three (3) or more default notices from Franchisor within any twelve (12) consecutive monthly period whether or not such defaults were related to the same problem or were cured after notice thereof was delivered to Franchisee.

(2) **Termination with Notice**. In addition to the provisions of Paragraph 15.2(1), if Franchisee shall be in default under the terms of this Agreement and the default shall not be cured or remedied (to Franchisor's satisfaction) within thirty (30) days after receipt of written notice from Franchisor (and 10 days prior notice in the event of a default described in Subparagraphs (f), (g) and (h) below), in addition to all other remedies available to Franchisor at law or in equity, Franchisor may immediately terminate this Agreement. If any such default is not cured within the specified cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the cure period.

Franchisee shall be in default, and each of the following shall constitute good cause for termination under this Agreement:

(a) Failure, refusal or neglect by Franchisee to obtain Franchisor's prior written approval or consent any time such approval or consent is required by this Agreement;

(b) The commission by Franchisee of any act or practice that impairs or imminently threatens to impair the goodwill associated with the Marks, as determined by Franchisor;

(c) Franchisee's failure to comply with any provision of this Agreement that does not otherwise provide for immediate termination, or failure to comply with the Manual, or Franchisee's bad faith in carrying out the terms of this Agreement;

(d) Failure by Franchisee to maintain books and financial records for the Baked Bear Store suitable for proper financial audit or failure by Franchisee to permit Franchisor to carry out its rights to conduct an inspection or audit as provided in this Agreement or failure by Franchisee to submit as required by this Agreement all reports, records and information of the Baked Bear Store;

(e) Franchisee and, if Franchisee has elected not to directly supervise "on-premises" the day-to-day shop operations, Franchisee's supervisorial or managerial personnel fail to complete, to Franchisor's satisfaction, the initial training program as provided in this Agreement;

(f) Franchisee fails to pay when due any amount owing to Franchisor or its affiliates under this Agreement or any other agreement, or is unable to obtain adequate financing to cover all costs of developing, opening and operating the Baked Bear Store;

(g) Franchisee fails to pay when due any amounts owing to any person or entity in connection with the construction, leasing, financing, operation or supply of the Baked Bear Store;

(h) Franchisee closes any bank account without completing all of the following forthwith after such closing: (i) immediately notifying Franchisor thereof in writing, (ii) immediately establishing another bank account, and (iii) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by electronic funds transfer as Exhibit 2 to this Agreement permits;

(i) Franchisee fails to maintain or suffers cancellation of any insurance coverage required under this Agreement;

(j) Any transfer or attempted transfer by Franchisee or any partner, member or shareholder in Franchisee of any rights or obligations under this Agreement to any third party without the prior written consent of Franchisor;

(k) Franchisee fails to obtain execution of the confidentiality and non-competition covenants as required in Articles 12 and 13 herein;

(l) Franchisee fails to execute any exhibits, addendum, attachments, or agreements to this Agreement requiring Franchisee's signature;

(m) Franchisee offers in conjunction with the operation of the Baked Bear Store products or services that have not been approved by Franchisor;

(n) If Franchisee, by act or omission, permits a continued violation in connection with the operation of the Baked Bear Store of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief there from;

(o) Franchisee fails to comply with any provisions, standards or procedures prescribed by Franchisor in the Manual or otherwise in writing; or

(p) Franchisee failures to abide by the pertinent marketing and advertising requirements and procedures and participate in marketing programs for the business as established by Franchisor.

15.3 **Cross-Default.** If there are now, or hereafter shall be, other Franchise Agreements or any other agreements in effect between Franchisee and Franchisor and/or any of Franchisor's affiliates, a default by Franchisee under the terms and conditions of this or any other such agreement, shall at the option of Franchisor, constitute a default under all such agreements.

15.4 **State Laws.** Notwithstanding anything to the contrary in this Article 15, in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected shall be amended only to the extent necessary to bring it within the requirements of the law or regulation.

15.5 **Subsequent Defaults.** The description of any default in any notice served by Franchisor hereunder upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination thereof.

15.6. **Obligations of Franchisee Upon Termination, Expiration or Non-Renewal.** Immediately upon termination, expiration or non-renewal of this Agreement for any reason:

A. All rights, privileges and licenses granted by Franchisor to Franchisee shall immediately cease and be null and void and of no further force and effect, and all such rights, privileges and licenses shall immediately revert to Franchisor;

B. Franchisee shall cease to be an authorized Baked Bear franchise owner, and unless Franchisor exercises its rights under Paragraph 15.6.I. shall immediately, at its own expense, remove all signs, obliterate or remove all letterheads, labels or any other item or form of identification that would in any way link or associate Franchisee, its goods and/or services with Franchisor, and shall immediately cease to use, in any manner, the Marks, System and any other copyrighted information or materials or any confidential information Franchisee obtained as a result of the franchise granted to Franchisee;

C. Franchisee shall immediately terminate all advertising and promotional efforts and any other act that would in any way indicate that Franchisee is or was ever an authorized Baked Bear

Franchisee; Franchisee shall also comply as to the terms of the Telephone Listing Agreement attached hereto as Exhibit 4;

D. Franchisee shall cancel any assumed name of Franchisee or equivalent registration that contains any Proprietary Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination, expiration or non-renewal of this Agreement;

E. Franchisee agrees not to use any reproduction, counterfeit, copy, or colorable imitation of the Marks that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to use any trade dress or designation of origin or description or representation that falsely suggests or represents an association or connection with Franchisor;

F. Franchisee shall pay all sums owing to Franchisor. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable legal fees, incurred by Franchisor as a result of the default;

G. Franchisee shall comply with the covenants set forth in Articles 12 and 13 of this Agreement; and

H. Franchisee shall, at Franchisor's option, assign to Franchisor any interest that Franchisee has in any lease for the premises of the Baked Bear Store;

I. (1) Upon the termination, expiration or non-renewal of this Agreement by Franchisor or Franchisee for any reason, Franchisor shall have the option**,** exercisable by giving written notice thereof within thirty (30) days from the date of such termination, expiration or non-renewal to purchase any and all inventory, equipment, furniture, fixtures, signs, sundries and supplies owned by Franchisee and used in the Baked Bear Store, at the lesser of (i) Franchisee's cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Baked Bear Store. In addition, Franchisor shall have the option to assume Franchisee's lease for the lease location of the Baked Bear Store, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as Franchisee's lease. No value will be attributed to the value of the Marks or the system or to the assignment of the lease (or sublease) for the premises or the assignment of any other assets used in conjunction with the Baked Bear Store, and Franchisor will not be required to pay any separate consideration for any such assignment or sublease.

(2) If the parties cannot agree on fair market value within thirty (30) days of Franchisor's notice of intent to purchase, fair market value shall be determined by an experienced, professional and impartial third-party appraiser without regard to goodwill or going concern value, designated by Franchisor and acceptable to Franchisee, whose determination shall be final and binding on both parties. The cost of such appraisal shall be borne equally by Franchisor and Franchisee. If the parties cannot agree upon an appraiser one shall be appointed by the American Arbitration Association, upon petition of either party.

(3) Franchisor shall have the right to withhold from the purchase price funds sufficient to pay all outstanding debts and liabilities of Franchisee and the Baked Bear Store and to pay such debts and

liabilities from such funds. If such liabilities exceed the purchase price of the inventory, equipment, furniture, fixtures and signs, Franchisor shall apply the purchase price in such a manner as Franchisor, in its own discretion, shall determine. In no event, however, shall Franchisor become liable for any of the debts and liabilities of Franchisee or the Baked Bear Store and Franchisee shall remain responsible for all outstanding debts and liabilities of the Baked Bear Store that remain unsatisfied subsequent to the distribution by Franchisor of the purchase price of the funds. The purchase price shall be paid in cash at the closing of the purchase, which shall take place no later than ninety (90) days after receipt by Franchisee of Franchisor's notice of exercise of this option to purchase the inventory, equipment, furniture, sundries and signs at which time Franchisee shall deliver instruments transferring to Franchisor or its nominee: (1) good and merchantable title to the inventory, equipment, furniture, sundries and signs purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and other transfer taxes paid by Franchisee; and (2) all licenses and permits which may be assigned or transferred. In the event that Franchisee cannot deliver clear title to all of the inventory, equipment, furniture, sundries and signs purchased as aforesaid, or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished through an escrow arrangement. Further, Franchisee and Franchisor shall, prior to closing, comply with the applicable Bulk Sales provisions of the Uniform Commercial Code as enacted in the state where the Baked Bear Store is located. If Franchisor exercises this option to purchase the inventory, equipment, furniture, fixtures, sundries and signs pending the closing of such purchase as herein above provided, Franchisor shall have the right to appoint a manager to maintain the operation of the Baked Bear Store, in accordance with the relevant provisions of Article 14 hereof. Alternatively, Franchisor may require Franchisee to close the Baked Bear Store during such time period without removing therefrom any inventory, equipment, furniture, sundries and signs. Franchisee shall maintain in force all insurance policies required by Article 10 hereof until the date of closing.

J. (1) Franchisee shall furnish to Franchisor within thirty (30) days after the effective date of termination, expiration or non-renewal evidence satisfactory to Franchisor of Franchisee's compliance with all obligations under this Paragraph 15.6**;**

(2) Termination, expiration or non-renewal of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies, which Franchisor may have against Franchisee, whether under this Agreement or otherwise, for any reason whatsoever, whether such claims or rights arise before or after termination.

15.7 **Franchisor's Rights and Remedies in Addition to Termination.**

A. If Franchisee shall be in default in the performance of any of its obligations or breach any term or condition of this Agreement, in addition to Franchisor’s right to terminate this Agreement, and without limiting any other rights or remedies to which Franchisor may be entitled at law or in equity, Franchisor may, at its election, immediately or at any time thereafter, and without notice to Franchisee cure such default for the account of and on behalf of Franchisee including, without limitation, entering upon and taking possession of the Baked Bear Store and to taking in the name of Franchisee, all other actions necessary to effect the provisions of this Agreement and any such entry or other action shall not be deemed a trespass or other illegal act, and Franchisor shall not be liable in any manner to Franchisee for so doing, and Franchisee shall pay the entire cost thereof to Franchisor on demand, including reasonable compensation to Franchisor for the management of the Baked Bear Store.

B. If this Agreement is terminated by Franchisor with cause or Franchisee unilaterally attempts to terminate this Agreement without cause, then Franchisee may be liable for all unpaid future Royalty Fees, Marketing Fund Contributions, and lost profits, as well as any other direct, actual or consequential damages for the remainder of the Term of this Agreement.

16. RESOLUTION OF DISPUTES

16.1 **Claim Process**. Franchisor and Franchisee believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Franchisor and Franchisee have agreed that the provisions of this Article 16 support these mutual objectives and, therefore, agree as follows:

Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, between or involving Franchisee and any of its affiliates, on the one hand, and Franchisor and any of its affiliates, on the other hand, arising out of, related to, or referencing this Agreement or its breach in any way, including, without limitation, any claim arising in contract or tort arising out of the relationship created by this Agreement, for equitable relief, or asserting that this Agreement is invalid, illegal, or void, ("Claim") shall be processed in the following manner, Franchisee and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section 16.2 shall:

(1) First, the Claim will be discussed in a face-to-face meeting held in the county where Franchisor's then-current headquarters is located, within thirty (30) days after either Franchisee or Franchisor gives written notice to the other proposing such a meeting.

(2) Second, if the Claim is not resolved from the face-to-face meeting, it shall be submitted to non-binding mediation, in the county where Franchisor's then-current headquarters is located, for a minimum of four (4) hours before (i) Franchise Arbitration and Mediation, Inc. ("FAM") or its successor (or an organization designated by FAM or its successor), or (ii) any other mediation organization approved by all parties, or (iii) by the American Arbitration Association or its successor (or an organization designated by its successor), if FAM cannot conduct such mediation and the parties cannot agree on a mediation organization. The parties will share the costs of the first four (4) hours of any mediation, and no mediation is required to extend beyond such four (4) hour period. Any mediation/arbitration (and any appeal of arbitration) will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Franchisee and Franchisor do not want to participate in mediation, then they shall proceed to arbitration as provided below.

(3) Third, the Claim shall be submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction. Any dispute arising out of or in connection with this arbitration provision, including any question regarding its existence, validity, scope, or termination shall be referred to and finally resolved by arbitration.

16.2 **Confidentiality**. The parties to any meeting/mediation/arbitration will sign confidentiality agreements. However, the parties will be permitted to make public disclosures and filings as are required

by law and will be permitted to speak to individuals reasonably necessary to prepare for mediation or arbitration, including but not limited to percipient witnesses and expert witnesses.

16.3 **Other Proceedings**. Notwithstanding Paragraph 16.1, upon a breach or threatened breach of this Agreement by Franchisee, Franchisor is entitled to injunctive or other extraordinary relief in any court of competent jurisdiction restraining such breach without bond (and if such bond is required by a court of competent jurisdiction, Franchisor and Franchisee agree that the sum of $100 shall be sufficient bond for such purpose) and without regard to adequacy of its legal remedies. Interim equitable relief is available to Franchisor in addition to other remedies or rights Franchisor may have. Franchisor is also entitled to proceed in court in lieu of arbitration to obtain a decree of specific performance requiring that each provision of this Agreement be honored, carried out and enforced as written and to obtain a declaratory judgment or other appropriate relief if there is a controversy over interpretation of this Agreement or the rights and obligations of the parties. Notwithstanding Paragraph 16.1, Franchisor may also proceed in a civil action in court against Franchisee to collect sums of money due Franchisor or to protect or enforce its rights in or under the Marks. Except as provided in Paragraph 16.1, any legal proceeding involving any dispute between the parties to this Agreement must be venued exclusively and solely in federal or state court in San Diego, California. Franchisee consents to jurisdiction and venue in any such action.

16.4 **Limitation of Actions**. Franchisor and the Franchisee agree that no action (whether for arbitration, damages, injunctive, equitable or other relief, including, without limitation, rescission) will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless brought before the expiration of the earlier of one (1) year after the date of discovery of the facts resulting in such alleged liability or obligation or two (2) years after the date of the first act or omission giving rise to such alleged liability or obligation, except that where State or Federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply.

16.5 **Jury Trial Waiver**. Franchisee and Franchisor each knowingly waive all rights to a court or jury trial (except as expressly provided in this Agreement), understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, but still strongly preferring mediation and/or arbitration as provided in this Agreement; and the terms of this Agreement (including but not limited to this Section 16) shall control with respect to any matters of choice of law. Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document it furnished to Franchisee.

16.6 **Class Action Waiver**. To the extent any party brings any claim for relief, cause of action, or proceeding in court, Franchisee and Franchisor also agree that each may only bring such claims for relief, causes of action, or proceedings against the other in the Franchisee's or Franchisor's individual capacity and not as a plaintiff or class member in any class or representative action or any multiple plaintiff or consolidated proceeding. Unless both Franchisee and Franchisor agree, no court may consolidate more than one person's claims for relief, causes of action, or proceeding, or otherwise preside over any form of representative, class, multiple plaintiff, or consolidated proceeding.

16.7 **Attorneys' Fees and Costs.**

A. If legal action or arbitration is necessary to enforce the terms and conditions of this Agreement, the prevailing party shall be entitled to recover reasonable compensation for preparation, investigation, court costs, arbitration costs (if applicable) and reasonable attorney's fees, as fixed by a court of competent jurisdiction.

B. Separate and distinct from the right of a prevailing party to recover expenses, costs and fees in connection with any legal proceeding or arbitration, the prevailing party shall also be entitled to receive all expenses, costs and reasonable attorney's fees incurred in connection with the enforcement of any arbitration award or judgment entered. Furthermore, the right to recover post-arbitration award and post-judgment expenses, costs and attorney's fees shall be severable and shall survive any award or judgment and shall not be deemed merged into such judgment.

17. MISCELLANEOUS PROVISIONS

17.1 **Severability**. Except as provided in Paragraph 13.4, each article, section, paragraph, term and provision of this Agreement, or any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held by an arbitrator or by a court of competent jurisdiction to be unenforceable due to any applicable existing or future law or regulation, such portion shall not impair the operation of or have any effect upon, the remaining portions of this Agreement which will remain in full force and effect and bind the parties hereto, although the invalid portion shall be deemed not part of this Agreement from the time so directed by the court. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other, right or remedy.

17.2 **Waiver and Delay**. Franchisor and Franchisee may, by written instrument, unilaterally waive any obligation or restriction upon the other under this Agreement. No failure, refusal or neglect of Franchisor to exercise any right, power, remedy or option reserved to it under this Agreement, or to insist upon strict compliance by Franchisee with any obligation, condition, specification, standard or operating procedure in this Agreement, shall constitute a waiver of any provision of this Agreement and the right of Franchisor to demand exact compliance with this Agreement, or to declare any subsequent breach or default or nullify the effectiveness of any provision of this Agreement. Subsequent acceptance by Franchisor of any payment(s) due it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

17.3 **Rights of Parties Are Cumulative.** The rights of Franchisor and Franchisee under this Agreement are cumulative and no exercise or enforcement by the Franchisor or Franchisee of any right or remedy under this Agreement shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy under this Agreement or which Franchisor or Franchisee is entitled by law to enforce,

17.4 **Parties Affected**. This Agreement binds the parties and, subject to Article 14, their successors and assigns. No person may acquire from Franchisee any interest in this Agreement except in accordance with Article 14. If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities to Franchisor of each such person or entity are joint and several. Each shareholder or equity owner of a ten percent (10%) or greater interest in Franchisee must sign the guaranty of this Agreement designated by Franchisor, in the form attached as Exhibit 5 to this Agreement.

17.5 **Governing Law**. This Agreement and all related Agreements take effect upon their acceptance and execution by Franchisor in the State of California and any matter whatsoever which arises out of or is connected any way with the Agreement or the franchise shall be governed by and interpreted and construed under the laws of California, which laws shall prevail in the event of any conflict of law; provided, however, that if any provision of this Agreement would not be enforceable under the laws of

California, then such provisions shall be interpreted and construed under the laws of the state where the Baked Bear Store is located.

17.6 **Choice of Forum.**

A. Franchisee acknowledges and agrees that this Agreement is entered into in California and that any action brought by either party against the other for the purpose of enforcing the terms and provisions of this Agreement (which is not to be arbitrated pursuant hereto or pursuant to law) shall be instituted solely in a state or federal court having subject matter jurisdiction thereof only in California in the judicial district in which Franchisor has its principal place of business and in no other court and that Franchisee irrevocably waives any objection Franchisee may have to the exclusive jurisdiction or the exclusive venue of such court.

B. If Franchisee institutes any arbitration or other legal proceedings in any venue or other court other than those specified, Franchisee shall assume all of Franchisor's costs in connection therewith, including, without limitation, reasonable attorney fees regardless of the outcome of such arbitration or legal proceedings.

17.7 **No Withholding Payments Owed.** Franchisee shall not, on the grounds of alleged non-performance by Franchisor of any of its obligations under this Agreement, withhold payments of the royalty fee, any advertising or marketing fees, or any other amounts due the Franchisor or any affiliate of Franchisor.

17.8 **Amendment.** This Agreement may not be amended except in writing signed by Franchisor and Franchisee.

17.9 **Designation of Responsible Parties**. Franchisee represents and warrants to Franchisor that the list below states: (i) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security interest convertible into an equity interest, in Franchisee, showing percentage of ownership held by each and (ii) the name and mailing address of the individual(s) who will be the principal franchisee-operator(s) (the "Designated Operator(s)") of the business franchised hereunder. The Designated Operator(s) (there may be up to two such individuals but only one address to which Franchisor communicates in regards to the franchise) named has the authority to act for Franchisee in all matters relating to the Baked Bear Store, including voting responsibilities. Only those individuals who are a party to this Agreement and have an ownership interest in the franchise entity may be listed as a Designated Operator(s). Franchisee shall promptly notify Franchisor of any change in any such information. Any change in the Designated Operator(s) or in shareholder information is subject to Article 14 and the training requirements of this Agreement:

Franchisee is a ☐ _____, organized under the laws of _____, or ☐ Franchisee is an individual or group of individuals, and hereby represents and warrants that the information stated below is true and accurate as of the date set forth below:

Shareholder, Partner, Member or Individual Name and Address	Percentage of Ownership Interest
_____	_____
_____	
_____	
_____	_____
_____	
_____	

Designated Operator(s): _____

17.10 **Franchisor's Discretion**. Except as otherwise specifically referenced herein, all acts, decisions, determinations, specifications, prescriptions, authorizations, approvals, consents and similar acts by Franchisor may be taken or exercised in the sole and absolute discretion of Franchisor, regardless of the impact upon Franchisee. Franchisee acknowledges and agrees that when Franchisor exercises its discretion or judgment, its decisions may be for the benefit of Franchisor or the Baked Bear Franchise network and may not be in the best interest of Franchisee as an individual franchise owner.

17.11 **Titles for Convenience Only.** Paragraph 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.

17.12 **Gender.** All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

17.13 **Counterparts.** This Agreement may be executed in any number of copies, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

17.14 **Notices**.

A. All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be given by any of the following methods: (1) personally delivered; (2) mailed by certified or registered mail, return receipt requested, postage paid; (3) by reliable overnight delivery service; or (4) by electronic transmission, including email and facsimile. "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

The addresses for the parties are as follows:

If to Franchisor:

BB Franchise, LLC
Attention: Robert Robbins
4516 Mission Blvd, Suite C
San Diego, California 92109
Email: rob@thebakedbear.com

If to Franchisee:

_____
_____
_____
Attention: _____
Email: _____

B. The above addresses given for notices may be changed at any time by either party by giving ten (10) calendar days prior written notice to the other party, as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand. Notices sent by electronic transmission shall be deemed to have been given on the next business day after being sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email or facsimile has not been delivered.

17.15 **Further Assurances.** The parties to this Agreement agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Agreement.

17.16 **Time is of the Essence.** Franchisor and Franchisee agree that time is of the essence with respect to all terms and conditions in this Agreement.

17.17 **Consumer Price Index**. Amounts specified as being subject to inflation adjustment may be adjusted by us annually in our Business Judgment in proportion to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor (or any Successor index) as compared to the previous year. Franchisor is not required to adjust any amounts downward. Franchisor will notify Franchisee of any such percentage increase adjustment.

17.18 **No Recourse Against Nonparty Affiliates.** All claims, obligations, liabilities, or causes of action (whether in contract or in tort, in law or in equity, or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Agreement, or the negotiation, execution, or performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to this Agreement, but not including separate undertakings such as guarantees of performance, personal guaranties, or corporate guarantees), may be made only against (and are those solely of) the entities that are expressly identified as parties in the preamble to this Agreement ("Contracting Parties"). No person who is not a Contracting Party, including without limitation any past and present director, officer, employee, incorporator, member, partner, manager, stockholder, affiliate, agent, attorney, or representative of, and any financial advisor or lender to, any of the foregoing ("Nonparty Affiliates"), shall have any liability (whether in contract or in tort, in law or in equity, or granted by statute) for any claims, causes of action, obligations, or liabilities arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach; and, to the maximum extent permitted by law, each Contracting Party hereby waives and releases all such liabilities, claims, causes of action, and obligations against any such Nonparty Affiliates, unless such liabilities, claims, causes of action, and obligations arise from deliberately fraudulent acts. Without limiting the foregoing, to the maximum extent permitted by law, (a) each Contracting Party hereby waives and releases any and all rights, claims, demands or causes of action that may otherwise be available at law or in equity, or

granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability of a Contracting Party on any Nonparty Affiliate, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise; and (b) each Contracting Party disclaims any reliance upon any Nonparty Affiliates with to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement. Nothing herein is intended to prevent a Contracting Party from pursuing any distinct legal rights it may have against a Nonparty Affiliate which arise from a separate document, such as a guaranty of performance, personal guaranty, corporate guaranty or similar agreement. Notwithstanding any other provision of this Agreement which limits the right of prospective third-party beneficiaries, any Nonparty Affiliate may rely on this provision and enforce it against any Contracting Party or other person or entity.

17.19 **Force Majeure.** Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to Force Majeure or other causes beyond the reasonable control of the parties that materially affects a party's ability to perform. In this Agreement, the term "Force Majeure" shall include any of the following: (i) casualty or condemnation; (ii) storm, earthquake, hurricane, tornado, flood or other act of God; (iii) war, insurrection, pandemics, epidemics, quarantine restrictions, civil commotion or act of terrorism; (iv) strikes or lockouts; (v) embargoes, lack of water, materials, power or telephone transmissions specified or reasonably necessary in connection with the production, storage, shipment, or sale of goods and services; or (vi) failure of any applicable governmental authority to issue any approvals, or the suspension, termination or revocation of any material approvals, required for the production, storage, shipment, or sale of goods or services. Any time period for the performance of an obligation shall be extended for the amount of time of the delay. The party whose performance is affected by any of such causes shall give prompt written notice of the circumstances of such event to the other party, but in no event more than five (5) days after the commencement of such event. The notice shall describe the nature of the event and an estimate as to its duration. This clause shall not apply or not result in an extension of the term of this Agreement.

17.20 **Similar Agreements.** Franchisor makes no warranty or representation that anything contained in this Agreement may be construed as requiring that all the Baked Bear franchise agreements issued by Franchisor, during any time period, contain terms substantially similar to those contained in this Agreement. Further, Franchisee agrees and acknowledges that Franchisor may, in its reasonable business judgment, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements granted to other Baked Bear franchisees in a non-uniform manner, subject to those provisions of this Agreement that require Franchisor to act toward its franchisees on a reasonably non-discriminatory basis.

18. ACKNOWLEDGMENTS

18.1 A. THE SUBMISSION OF THE AGREEMENT DOES NOT CONSTITUTE AN OFFER AND THIS AGREEMENT SHALL BECOME EFFECTIVE ONLY UPON THE EXECUTION HEREOF BY THE FRANCHISOR AND THE FRANCHISEE. THE DATE OF EXECUTION BY THE FRANCHISOR SHALL BE CONSIDERED TO BE THE DATE OF EXECUTION OF THIS AGREEMENT.

B. THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE FRANCHISOR.

18.2 FRANCHISEE ACKNOWLEDGES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE UNDER THIS AGREEMENT IS SPECULATIVE, WILL BE OPERATED IN A HIGHLY COMPETITIVE MARKETPLACE AND VOLATILE ECONOMY, AND THAT ITS FINANCIAL RESULTS, INCLUDING ITS ULTIMATE SUCCESS OR FAILURE, WILL DEPEND UPON FRANCHISEE'S MANAGERIAL AND FINANCIAL CAPABILITIES, LOCAL MARKET CONDITIONS AND OTHER FACTORS. FRANCHISEE ACKNOWLEDGES, THEREFORE, THAT FRANCHISOR CANNOT AND DOES NOT GUARANTEE OR REPRESENT THAT THE BAKED BEAR WILL BE PROFITABLE OR SUCCESSFUL.

18.3 FRANCHISEE ACKNOWLEDGES THAT IT HAS ENTERED INTO THIS AGREEMENT AFTER MAKING AN INDEPENDENT INVESTIGATION OF FRANCHISOR'S OPERATIONS AND THE MARKET AREA IN WHICH FRANCHISEE WILL OPERATE THE BAKED BEAR, AND NOT UPON ANY REPRESENTATION, FACT, PROMISE OR ASSURANCE MADE BY THE FRANCHISOR OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES OR AGENTS AS TO GROSS REVENUES, COSTS, VOLUME, POTENTIAL EARNINGS OR PROFITS THAT FRANCHISEE MIGHT DERIVE FROM THE OPERATION OF A THE BAKED BEAR FRANCHISE**.** FRANCHISEE FURTHER ACKNOWLEDGES THAT THE FRANCHISOR AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS HAVE NOT MADE ANY OTHER REPRESENTATION ABOUT THE FRANCHISE WHICH IS NOT EXPRESSLY SET FORTH HEREIN OR IN THE FRANCHISOR'S UNIFORM FRANCHISE OFFERING CIRCULAR, INCLUDING EXHIBITS AND ADDENDUM, TO INDUCE THE FRANCHISEE TO ACCEPT THIS FRANCHISE AND EXECUTE THIS AGREEMENT.

18.4 A. FRANCHISEE REPRESENTS AND ACKNOWLEDGES THAT IT HAS RECEIVED FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN (14) DAYS PRIOR TO THE DATE OF EXECUTION OF THIS AGREEMENT, AND THAT A COPY OF THIS AGREEMENT WITH ALL BLANKS FILLED, INCLUDING EXHIBITS AND ADDENDUM WAS RECEIVED FROM FRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED. FRANCHISEE REPRESENTS IT HAS READ THIS AGREEMENT, FRANCHISOR'S UNIFORM FRANCHISE OFFERING CIRCULAR, EXHIBITS, ADDENDUM AND OTHER INFORMATION FRANCHISEE DEEMS RELEVANT IN ITS ENTIRETY, AND HAS BEEN GIVEN THE OPPORTUNITY TO CLARIFY ANY PROVISIONS THAT FRANCHISEE DID NOT UNDERSTAND AND TO CONSULT WITH AN INDEPENDENT LEGAL OR OTHER PROFESSIONAL ADVISOR.

B. FRANCHISEE FURTHER REPRESENTS THAT IT UNDERSTANDS AND ACCEPTS THE TERMS, CONDITIONS, COVENANTS AND OBLIGATIONS OF THIS AGREEMENT AS BEING REASONABLY NECESSARY TO (1) MAINTAIN THE FRANCHISOR'S HIGH STANDARDS OF QUALITY AND SERVICE; (2) MAINTAIN UNIFORMITY OF THOSE STANDARDS AT ALL THE BAKED BEAR STORES; AND (3) PROTECT AND PRESERVE THE GOODWILL OF THE MARKS, AND THAT FAILURE TO MAINTAIN THE FRANCHISOR'S STANDARDS WILL RESULT IN TERMINATION OF THIS AGREEMENT.

18.5 FRANCHISEE ACKNOWLEDGES THAT THE COVENANTS NOT TO COMPETE SET FORTH IN THIS AGREEMENT ARE FAIR AND REASONABLE, AND WILL NOT IMPOSE ANY UNDUE HARDSHIP ON THE FRANCHISEE, SINCE THE FRANCHISEE HAS OTHER CONSIDERABLE SKILLS, EXPERIENCE AND EDUCATION WHICH AFFORD THE FRANCHISEE THE OPPORTUNITY TO DERIVE INCOME FROM SUCH OTHER ENDEAVORS.

18.6 FRANCHISEE REPRESENTS TO THE FRANCHISOR THAT ALL INFORMATION SET FORTH IN ANY AND ALL APPLICATIONS, FINANCIAL STATEMENTS AND SUBMISSIONS TO THE FRANCHISOR BY THE FRANCHISEE ARE TRUE, COMPLETE AND ACCURATE IN ALL RESPECTS, AND THE FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT THE FRANCHISOR IS RELYING UPON TRUTHFULNESS, COMPLETENESS AND ACCURACY OF SUCH INFORMATION.

18.7 FRANCHISEE ACKNOWLEDGES THAT THE EXECUTION OF THIS AGREEMENT IS THE WHOLLY VOLUNTARY ACT OF THE PERSONS WHO SIGNED THIS AGREEMENT.

18.8 Franchisee acknowledges and agrees that Franchisor may elect to keep only electronic copies of any and all documents and records pertaining to the Franchised Business, the System, and the franchise relationship between the parties. Each such electronic record will accurately reflect the information in the document and will remain accessible to all persons entitled by law to access the information for the period of time required by law. The electronic record will be in a form capable of being accurately reproduced for later reference if necessary.

19. ENTIRE AGREEMENT

19.1 This Agreement, the documents referred to herein, and the exhibits hereto, constitute the entire and only agreement between the parties concerning the granting, awarding and licensing of Franchisee as an authorized Baked Bear Franchisee at the Baked Bear Store location, and supersede all prior and contemporaneous agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement does not alter agreements between Franchisor and Franchisee for other locations. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document or in any related document that Franchisor heretofore furnished to Franchisee.

20. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

20.1 The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signatures on Following Next Page]

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below to be effective upon execution by Franchisor.

FRANCHISOR

BB FRANCHISE, LLC
a California limited liability company

By:_____

Print Name: _____

Title: _____

Accepted: _____

FRANCHISEE

If Franchisee is an individual:

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

If Franchisee is a corporation or other entity:

_____
[Name of Franchisee]

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT 1 TO
THE BAKED BEAR FRANCHISE AGREEMENT

THE AUTHORIZED LOCATION AND PROTECTED RADIUS

This Addendum is made to The Baked Bear Franchise Agreement dated _____ (the "Franchise Agreement") between BB Franchise, LLC ("Franchisor") and _____ ("Franchisee").

1. **Preservation of Agreement.** Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

2. **Authorized Location.** The parties hereto agree that the Authorized Location referred to in Paragraph 1.2 of the Franchise Agreement shall be the following address:
_____
_____

3. **Protected Radius.** The parties hereto agree that Franchisee will receive a non-exclusive protected radius of_____ around the Authorized Location.

This Addendum is agreed to and accepted by the parties this ___ day of _____ 20__.

FRANCHISOR:
BB FRANCHISE, LLC
a California limited liability company

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

EXHIBIT 2 TO
THE BAKED BEAR FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AGREEMENT

This Electronic Funds Transfer Agreement (the "Agreement") is made on this ___day of _____ 20__ by and between BB Franchise, LLC ("Franchisor"), and _____ or their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee").

Whereas, Franchisor and Franchisee are parties to The Baked Bear Franchise Agreement executed on even date herewith (the "Franchise Agreement") and desire to enter into an Addendum to the Franchise Agreement;

Now, therefore, in consideration of the mutual promises contained herein and as an inducement to Franchisor to execute the Franchise Agreement, the parties agree as follows:

A. Franchisee shall pay any and all fees and other charges in connection with this Addendum and the Franchise Agreement (including, without limitation, the Royalty Fees, the Marketing Fund Contributions, and any other payments due to Franchisor by Franchisee, and any applicable late fees and interest charges) by electronic, computer, wire, automated transfer, ACH debiting, and bank clearing services (collectively "electronic funds transfers" or "EFT"'), and Franchisee shall undertake all action necessary to accomplish such transfers.

B. Upon execution and delivery of this Agreement, Franchisee shall execute and deliver two (2) originals of the "Electronic Debit Authorization" attached as Exhibit 3 to the Franchise Agreement, which authorizes Franchisee's bank or other financial institution to accept debit originations, electronic debit entries, or other EFT, and electronically deposit fees and contributions owing Franchisor directly to Franchisor's bank account(s). Upon Franchisor's request, Franchisee shall deliver to Franchisor all additional information that Franchisor deems necessary (including, without limitation, financial institution of origin and relevant accounts and ABA/transit numbers for any new bank accounts that Franchisee opens after the date of this Addendum) in connection with such EFT.

C. By executing this Addendum, Franchisee authorizes Franchisor to withdraw funds at such days and times as Franchisor shall determine via EFT from Franchisee's bank account for all fees and other charges in connection with the Franchise Agreement and this Addendum, as described in the first sentence of this Paragraph. Franchisee authorizes monthly ACH debits via EFT based on an amount equal to the total monthly amount(s) due Franchisor, as set forth in Section 5 of the Franchise Agreement.

D. Franchisee is responsible for paying all service charges and other fees imposed or otherwise resulting from action by Franchisee's bank in connection with EFT by Franchisor, including, without limitation, any and all service charges and other fees arising in connection with any EFT by Franchisor not being honored or processed by Franchisee's bank for any reason and a Fifty Dollar ($50) charge by Franchisor for processing the EFT. Upon written notice by Franchisor to Franchisee, Franchisee may be required to pay any amount(s) due under the Franchise Agreement and/or this Addendum directly to Franchisor by check or other non-electronic means in lieu of EFT at Franchisor's discretion. It shall be a non-curable event of default under Article 15 of the Franchise Agreement if Franchisee closes any bank account without completing all of the following forthwith after such closing: (1) immediately notifying

Franchisor thereof in writing, (2) immediately establishing another bank account, and (3) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by EFT as this Addendum permits.

E. Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

F. Wherefore, the parties have set forth their hand and seal on the day and date first above written.

FRANCHISOR:

BB FRANCHISE, LLC
a California limited liability company

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

EXHIBIT 3 TO
THE BAKED BEAR FRANCHISE AGREEMENT

ELECTRONIC DEBIT AUTHORIZATION

FRANCHISOR: BB Franchise, LLC
FRANCHISOR ID NUMBER: _____

The undersigned hereby authorizes BB Franchise, LLC (the "Franchisor"), to initiate debit entries to the undersigned's checking account indicated below and the depository named below (the "Depository"), to debit the same to such account.

Depository Name: _____
Branch: _____
City State and Zip Code: _____
_____
Transit/ABA No.: _____
Account Number: _____

This authority is to remain in full force and effect until the underlying obligations under the Franchise Agreement have been satisfied in full or released in writing by Franchisor.

This authorization further confirms my understanding of Exhibit 2 to the Franchise Agreement signed by me/us in which I/we expressly agree that this authorization shall apply to any and all Depositories and bank accounts with which I/we open accounts during the term of the Franchisee Agreement and any renewals. Without limiting the generality of the forgoing, I/we understand that if I/we close any bank account, I/we are obligated immediately to: (i) notify Franchisor thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account/depository by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed from me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future.

DATE: _____

ID NUMBER: _____

PRINT NAME(S): SIGNATURE(S):

_____ _____

_____ _____

EXHIBIT 4 TO
THE BAKED BEAR FRANCHISE AGREEMENT

TELEPHONE LISTING AGREEMENT

This Telephone Listing Agreement (the "Agreement") is made on this __ day of _____ 20__, by and between BB Franchise, LLC ("Franchisor"), and _____, or his assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee").

Recitals

WHEREAS, Franchisor is the franchisor of The Baked Bear Franchise System throughout the United States of America and is the owner of the service marks, trademarks, and trade names related to the operation of the franchised business (collectively the "Marks"); and

WHEREAS, Franchisee has executed a Baked Bear Franchise Agreement dated _____, 20__ (the "Franchise Agreement"), under which Franchisee is granted a franchise (the "Franchise") involving certain rights to use the Marks in Franchisee's business telephone listings to promote the Baked Bear Store.

NOW, THEREFORE, in consideration of the Recitals above and the terms below, Franchisor and Franchisee agree:

1. Franchisee is authorized to continue using the Marks until the Franchise Agreement is terminated or expires.

2. Franchisee is authorized to obtain telephone service for the Baked Bear Store. That service is not to be used in conjunction with any other business.

3. Franchisee is authorized to obtain various yellow page, white page, information listings and yellow page advertising under the trade name "The Baked Bear", "Baked Bear", or any other Marks that Franchisor may authorize Franchisee to use in conjunction with the Baked Bear Store. No additional listings may be used with any telephone number(s) assigned to the Baked Bear Store, without Franchisor's prior written consent.

4. Franchisee must pay all charges for telephone service, white page, yellow page, information listings and yellow page advertisements.

5. On termination or expiration of the Franchise Agreement, Franchisee acknowledges that its right to the use any of the Marks made available by Franchisor to Franchisee for use under the Franchise Agreement will immediately end, and that all telephone numbers appearing under the Marks will immediately become the property of Franchisor, and Franchisee irrevocably releases to Franchisor all rights to and use of all telephone numbers associated with the Marks then listed. Franchisee irrevocably authorizes the telephone company, on notification by Franchisor of termination or expiration of the Franchise, to transfer or assign all of those telephone numbers to Franchisor or to disconnect those telephone numbers and assign them to Franchisor or to transfer calls coming to those disconnected

numbers to any telephone numbers issued by the telephone company to Franchisor, without need for any further document(s) from Franchisee.

6. Franchisee irrevocably releases the telephone company, Franchisor and their respective successors, assigns, directors, officers, employees and agents, from liability of any kind that may result directly from Franchisor's exercise of its rights under this Agreement or from the telephone company's cooperation with Franchisor in effecting the terms of this Agreement.

7. The undersigned agree to the terms of this Agreement.

FRANCHISOR:

BB FRANCHISE, LLC
a California limited liability company

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

EXHIBIT 5 TO
THE BAKED BEAR FRANCHISE AGREEMENT

GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

For value received, and in consideration for, and as an inducement to BB Franchise, LLC ("Franchisor") to execute The Baked Bear Franchise Agreement (the "Franchise Agreement"), of even date herewith, by and between Franchisor and _____ or his assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee"), _____ ("Guarantor(s)"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement, including all of Franchisee's monetary obligations arising under or by virtue of the Franchise Agreement.

Upon demand by Franchisor, Guarantor(s) will immediately make each payment required of Franchisee under the Franchise Agreement. Guarantor(s) hereby waives any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of Guarantor(s) under this Guarantee, Indemnification and Acknowledgment, Franchisor may, without notice to Guarantor(s), extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee.

Guarantor(s) waives notice of amendment of the Franchise Agreement and notice of demand for payment by Franchisee, and agrees to be bound by any and all such amendments and changes to the Franchise Agreement.

Guarantor(s) hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorney's fees, reasonable costs of investigations, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Franchise Agreement, any amendment, or any other agreement executed by Franchisee referred to therein.

Guarantor(s) hereby acknowledges and agrees to be individually bound by all covenants contained in the Franchise Agreement and all terms and conditions of the Franchise Agreement requiring Franchisee not to disclose confidential information.

This Guarantee shall terminate upon the expiration or termination of the Franchise Agreement, except that all obligations and liabilities of Guarantor(s) that arise from events that occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by Guarantor(s), and all covenants that by their terms continue in force after termination or expiration of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual Guarantor, the estate of such Guarantor will be bound by this Guarantee, but only for defaults and obligations existing at the time of death, and the obligations of the other Guarantor(s) will continue in full force and effect.

The validity of this Guarantee and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might take or be forced to take against Franchisee, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Franchise Agreement or otherwise.

The use of the singular herein shall include the plural. Each term used in this Guarantee, unless otherwise defined herein, shall have the same meaning as when used in the Franchise Agreement.

This Guarantee is to be performed in San Diego, California and shall be governed by and construed in accordance with the laws of the State of California. Guarantor(s) specifically agrees that the state and federal courts situated in San Diego, California shall have exclusive jurisdiction over Guarantor(s) and this Guarantee, and further agrees that any action relating to this Guarantee may be brought solely in either the San Diego, California Superior court or the United States District Court for the Southern District of California. In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of California as his agent for service of process to receive summons issued by the court in connection with any such litigation. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Franchise Agreement (except as otherwise provided in Article 16 of the Franchise Agreement).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Franchise Agreement.

GUARANTOR	**GUARANTOR**
By: _____	By: _____
Print Name: _____	Print Name: _____
SS #: _____	SS #: _____
DOB: _____	DOB: _____
Driver's License No. _____	Driver's License No: _____

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

_____	_____
Name of Guarantor	Name of Guarantor
_____	_____
Name of Guarantor's Spouse	Name of Guarantor's Spouse
_____	_____
Signature of Guarantor's Spouse	Signature of Guarantor's Spouse

EXHIBIT 6 TO
THE BAKED BEAR FRANCHISE AGREEMENT

ADDENDUM TO LEASE

This Addendum to Lease (this "Addendum") modifies and supplements that certain lease dated _____ and entered into by Tenant and Landlord concerning the Location at _____(the "Lease").

Landlord and Tenant, intending that BB Franchise, LLC, a California limited liability company, ("Franchisor") (and its successors and assigns) be a third-party beneficiary of this Addendum, agree as follows:

(1) Landlord shall, during the term of the Lease and thereafter, provide Franchisor all sales and other information it may have, whether provided by Tenant or otherwise, related to the operation of Tenant's Baked Bear Store as Franchisor may reasonably request;

(2) Tenant may display the trademarks, service marks and other commercial symbols owned by Franchisor and used to identify the service and/or products offered at the Baked Bear Store, including the name "The Baked Bear," and “Baked Bear”, the Baked Bear design and image developed and owned by Franchisor, as it currently exists and as it may be revised and further developed by Franchisor from time to time, and certain associated logos in accordance with the specifications required by the Baked Bear Manual, subject only to the provisions of applicable law and in accordance with provisions in the Lease no less favorable than those applied to other tenants of Landlord;

(3) Tenant shall not, and the Landlord shall not permit the tenant to, sublease or assign all or any part of the Lease or the Premises, or extend the term or renew the Lease, without Franchisor's prior written consent;

(4) Landlord shall concurrently provide Franchisor with a copy of any written default notice sent to Tenant and thereupon grant Franchisor the right (but not the obligation) to cure any deficiency or default under the Lease, should Tenant fail to do so, within five (5) days after the expiration of the period in which Tenant may cure the default;

(5) The Premises shall be used only for the operation of a Baked Bear Store;

(6) Tenant may, without Landlord’s consent (but subject to providing Landlord with written notice thereof), at any time assign this Lease or sublease the whole or any part of the Premises to Franchisor or any successor, subsidiary or affiliate of Franchisor;

(7) In the event of an assignment of the Lease to Franchisor as described in (6) above, Franchisor may further assign this Lease, subject to Landlord's consent, such consent not to be unreasonably withheld based on the remaining obligations of assignee under the Lease, to a duly

authorized franchisee of Franchisor, and thereupon Franchisor shall be released from any further liability under the Lease;

(8) Until changed by Franchisor, notice to Franchisor shall be sent as follows:

BB Franchise, LLC
Attention: Robert Robbins
4516 Mission Blvd, Suite C
San Diego, California 92109

(9) None of the provisions in this Addendum or any rights granted Franchisor hereunder, may be amended absent Franchisor's prior written consent.

AGREED:

TENANT	LANDLORD
By: _____	By: _____
Print Name: _____	Print Name: _____
Its: _____	Its: _____
Date: _____	Date: _____

EXHIBIT 7 TO
THE BAKED BEAR FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

This "Agreement" is made and entered into as of this ___ day of _____, 20___, by and among Franchisee, Covenantor, and BB Franchise, LLC, a California limited liability company ("Franchisor").

"Franchisee":_____

"Covenantor":_____, employed or engaged by Franchisee as _____

_____.

Address:_____

1. PREAMBLES

Franchisor has executed or intends to execute a "Franchise Agreement" with Franchisee under which Franchisor grants to Franchisee certain rights with regard to the operation of a "Baked Bear Store." Before allowing Covenantor to have access to the Confidential Information (as defined below) and as a material term of the Franchise Agreement necessary to protect Franchisor's confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards and procedures authorized or required by Franchisor from time to time for use in the operation of Franchisee's Baked Bear Store (the "Store") and Franchisor's proprietary rights in and Franchisee's right to use the Confidential Information, Franchisor and Franchisee require that Covenantor enter into this Agreement.

To induce Franchisor to enter into the Franchise Agreement and/or to avoid a material breach thereof Franchisor, Franchisee and Covenantor desire and consider it to be in Covenantor's best interests that Covenantor enter into this Agreement. Due to the nature of Franchisor's and Franchisee's business any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause Franchisor and Franchisee substantial harm.

2. PROTECTION OF CONFIDENTIAL INFORMATION

Covenantor acknowledges and agrees that Franchisor possesses certain confidential and proprietary information in which Franchisor possesses valuable industrial and intellectual property rights consisting of the methods, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques and knowledge of and experience in the operation and franchising of Baked Bear Stores (the "Confidential Information"). Franchisor and Franchisee will disclose such parts of the Confidential Information as are required for Covenantor to perform his/her obligations to Franchisee in furnishing Covenantor the training program, the Manual (as defined in the Franchise Agreement) and in guidance furnished to Covenantor for his/her performance of services to Franchisee.

Covenantor agrees to use the Confidential Information only to the extent reasonably necessary to perform Covenantor's duties for Franchisee taking into consideration the confidential nature of the Confidential Information. Covenantor may disclose the Confidential Information only as agent for Franchisee. Covenantor acknowledges and agrees that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business would be detrimental to

Franchisor and Franchisee and would constitute a breach of Covenantor's obligations of confidentiality and an unfair method of competition with Franchisor and other Baked Bear Stores owned by Franchisor, its affiliates or franchisees.

Covenantor acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Franchisor. The Confidential Information will be disclosed to Covenantor solely on the condition that Covenantor agrees to the terms and conditions of this Agreement. Covenantor therefore agrees that during the term of the Franchise Agreement and thereafter, he/she: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor and Franchisee to prevent unauthorized use or disclosure of or access to the Confidential Information.

Notwithstanding anything to the contrary contained in this Agreement the restrictions on Covenantor's disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known or easily accessible other than by Covenantor's breach of an obligation of confidentiality; and (b) the disclosure of the Confidential Information pursuant to applicable law or in judicial or administrative proceedings to the extent that Covenantor is legally compelled or required by a regulatory body to disclose such information, provided Covenantor has notified Franchisor and Franchisee prior to disclosure and shall have used his/her best efforts to obtain, and shall have afforded Franchisor and Franchisee the opportunity to obtain, an appropriate assurance reasonably satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

3. SURRENDER OF DOCUMENTS

Covenantor agrees that as of the date on which Covenantor ceases to perform services for Franchisee in connection with the Store, Covenantor shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Covenantor and return to Franchisee or to Franchisor if directed by Franchisor all copies of the Confidential Information loaned or made available to Covenantor.

4. COSTS AND ATTORNEYS' FEES

In the event that Franchisor or Franchisee is required to enforce this Agreement in an action against Covenantor, Covenantor shall reimburse Franchisor and/or Franchisee if it/they prevail (whether or not awarded a money judgment) for its/their reasonable attorneys' fees, costs and expenses (and interest on such fees, costs, and expenses), whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal.

5. WAIVER

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

6. SEVERABILITY

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible. Such other portions shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if Covenantor is a party thereto or upon Covenantor's receipt of a notice from Franchisor that it will not enforce the section, paragraph, term or provision in question.

7. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

8. BENEFIT

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. In the event Franchisor does not execute this Agreement (regardless of the reason) Franchisor shall be deemed a third-party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

9. EFFECTIVENESS

This Agreement shall be enforceable and effective when signed by Covenantor regardless of whether and when Franchisor or Franchisee signs this Agreement.

10. GOVERNING LAW/CONSENT TO JURISDICTION

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the state in which the Store is located without regard to its conflicts of laws principles. Covenantor and Franchisee agree that they shall institute and that Franchisor may institute any action against any of the parties hereto in any state or federal court of general jurisdiction in the state court of general jurisdiction or the Federal District Court nearest to Franchisor's principal place of business at the time such action is filed. Covenantor and Franchisee irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction or venue of such court.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written.

Covenantor:	**Franchisee:**
By:_____	By: _____
_____	_____
Print name of **Covenantor**	Print name of **Franchisee**

EXHIBIT 8 TO
THE BAKED BEAR FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

This "Agreement" is made and entered into as of this ___ day of _____ 20___, by and among Franchisee, Covenantor and BB Franchise, LLC, a California limited liability company ("Franchisor").

"Franchisee": _____

"Covenantor":_____, being [an owner], [an officer], [a director] [general partner], [managing member] or [manager] of Franchisee.

Address:_____
_____
_____

1. PREAMBLES

Franchisor has executed or intends to execute a "Franchise Agreement" with Franchisee under which Franchisor grants to Franchisee certain rights with regard to a "Baked Bear Store". Before allowing Covenantor to have access to the Confidential Information (as defined below) and as a material term of the Franchise Agreement necessary to protect Franchisor's confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards and procedures authorized or required by Franchisor from time to time for use in the operation of Franchisee's Baked Bear Store, (the "Store") and Franchisor's proprietary rights in and Franchisee's right to use the Confidential Information, Franchisor and Franchisee require that Covenantor enter into this Agreement.

To induce Franchisor to enter into the Franchise Agreement and/or to avoid a material breach thereof Franchisor, Franchisee and Covenantor desire and consider it to be in Covenantor's best interests that Covenantor enter into this Agreement. Due to the nature of Franchisor's and Franchisee's business any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause Franchisor and Franchisee substantial harm.

2. PROTECTION OF CONFIDENTIAL INFORMATION

Covenantor acknowledges and agrees that Franchisor possesses certain confidential and proprietary information in which Franchisor possesses valuable industrial and intellectual property rights consisting of the methods, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques and knowledge of and experience in the operation and franchising of Baked Bear Stores (the "Confidential Information"). Franchisor and Franchisee will disclose such parts of the Confidential Information as are required for Covenantor to perform its obligations to Franchisee in furnishing Covenantor the training program, the Operating Manual (as defined in the Franchise Agreement) and in guidance furnished to Covenantor for his/her performance of services to Franchisee.

Covenantor agrees to use the Confidential Information only to the extent reasonably necessary to perform Covenantor's duties for Franchisee taking into consideration the confidential nature of the

Confidential Information. Covenantor may disclose the Confidential Information only as agent for Franchisee. Covenantor acknowledges and agrees that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business would be detrimental to Franchisor and Franchisee and would constitute a breach of Covenantor's obligations of confidentiality and an unfair method of competition with Franchisor and other Baked Bear Stores owned by Franchisor, its affiliates or franchisees.

Covenantor acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Franchisor. The Confidential Information will be disclosed to Covenantor solely on the condition that Covenantor agrees to the terms and conditions of this Agreement. Covenantor therefore agrees that during the term of the Franchise Agreement and thereafter, he/she: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor and Franchisee to prevent unauthorized use or disclosure of or access to the Confidential Information.

Notwithstanding anything to the contrary contained in this Agreement the restrictions on Covenantor's disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known or easily accessible other than by Covenantor's breach of an obligation of confidentiality; and (b) the disclosure of the Confidential Information pursuant to applicable law or in judicial or administrative proceedings to the extent that Covenantor is legally compelled or required by a regulatory body to disclose such information, provided Covenantor has notified Franchisor and Franchisee prior to disclosure and shall have used his/her best efforts to obtain, and shall have afforded Franchisor and Franchisee the opportunity to obtain, an appropriate assurance reasonably satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

3. IN-TERM RESTRICTIVE COVENANT

Covenantor acknowledges and agrees that Franchisor and Franchisee would be unable to protect the Confidential Information against unauthorized use or disclosure and Franchisor would be unable to achieve a free exchange of ideas and information among the Baked Bear Stores if persons authorized to use the Confidential Information were permitted to engage in, have ownership interests in or perform services for Competitive Businesses (as defined below). Covenantor therefore agrees that for as long as Covenantor is an owner, director, officer, general partner, managing member or manager of Franchisee or is otherwise employed or engaged by Franchisee, Covenantor shall not, without Franchisor's prior written consent, directly or indirectly (through a member of the immediate family or otherwise), have any interest as an owner of (except of publicly-traded securities or interests in other Baked Bear Stores pursuant to other franchise agreements with Franchisor or its affiliates), or assist or perform services as a director, officer, employee, consultant, representative, agent or in any other capacity, for, any business principally offering products substantially similar to the products then being offered by the majority of the Baked Bear Stores (a "Competitive Business"), nor will Covenantor, without the prior written consist of Franchisor, have any interest, as aforesaid, in, or serve in any capacity, any entity which franchises or otherwise grants to others the right to operate a Competitive Business.

4. RESTRICTIVE COVENANT UPON TERMINATION OR EXPIRATION OF THE FRANCHISE AGREEMENT OR COVENANTOR'S ASSOCIATION WITH FRANCHISEE

Upon the first to occur of: (a) termination or expiration without renewal of the Franchise Agreement; or (b) the date as of which Covenantor ceases to be an owner, director, officer, general partner, managing member or manager of, or otherwise employed or engaged by, Franchisee (both referred to herein as a "Termination Event"), Covenantor agrees that, for a period of two (2) years commencing on the effective date of a Termination Event, Covenantor shall not (through a member of the immediate family or otherwise) have any interest as an owner of (except of publicly-traded securities or interests in other Baked Bear Stores pursuant to other franchise agreements with Franchisor or its affiliates), or assist or perform services as a director, officer, employee, consultant, representative, agent or in any other capacity for, any Competitive Business located within a twenty (20) mile radius from any concept (including, but not limited to, Baked Bear Stores) franchised or owned and operated by Franchisor, its parent, or any of its affiliates; nor will Covenantor have any interest, as aforesaid, in, or serve in any capacity, any entity which franchises or otherwise grants to others the right to operate a Competitive Business.

Covenantor recognizes the broad scope of the restrictive covenants set forth in Sections 3 and 4 of this Agreement, but agrees that they are reasonable. If any court or tribunal of competent jurisdiction shall refuse to enforce any such covenant because it is more extensive whether as to time limit, geographic area, scope of business or otherwise than is deemed reasonable, it is expressly understood and agreed that such covenants shall not be void, but that the restrictions contained therein shall be deemed reduced to the extent necessary to permit the enforcement of such covenants.

Covenantor expressly acknowledges and agrees that Covenantor possesses skills and abilities of a general nature and has opportunities for exploiting such skills. Consequently, enforcement of the covenants made in Sections 3 and 4 of this Agreement will not deprive Covenantor of the ability to earn a living.

5. SURRENDER OF DOCUMENTS

Covenantor agrees that, as of the effective date of a Termination Event, Covenantor shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Covenantor and return to Franchisee or to Franchisor if directed by Franchisor all copies of the Confidential Information loaned or made available to Covenantor.

6. COSTS AND ATTORNEYS' FEES

In the event that Franchisor or Franchisee is required to enforce this Agreement in an action against Covenantor, Covenantor shall reimburse Franchisor and/or Franchisee if it/they prevail (whether or not awarded a money judgment) for its/their reasonable attorneys' fees, costs and expenses (and interest on such fees, costs, and expenses), whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal.

7. WAIVER

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of

any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

8. SEVERABILITY

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible. Such other portions shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if Covenantor is a party thereto or upon Covenantor's receipt of a notice from Franchisor that it will not enforce the section, paragraph, term or provision in question.

9. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

10. BENEFIT

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. In the event Franchisor does not execute this Agreement (regardless of the reason) Franchisor shall be deemed a third-party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

11. EFFECTIVENESS

This Agreement shall be enforceable and effective when signed by Covenantor regardless of whether and when Franchisor or Franchisee signs this Agreement.

12. GOVERNING LAW/CONSENT TO JURISDICTION

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the state in which the Store is located without regard to its conflict of laws principles. Covenantor and Franchisee agree that they shall institute, and that Franchisor may institute any action against any of the parties hereto in any state or federal court of general jurisdiction in the state court of general jurisdiction or the Federal District Court nearest to Franchisor's principal place of business at the time such action is filed. Covenantor and Franchisee irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction or venue of such court.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written.

COVENANTOR:

_____
Print name of Covenantor

_____
Signature of Covenantor

FRANCHISEE:

_____
Print name of Franchisee

By:_____

Print Name: _____

Title:_____

FRANCHISOR:

BB Franchise, LLC
a California limited liability company

By:_____

Print Name:_____

Title:_____

EXHIBIT 9 TO
THE BAKED BEAR FRANCHISE AGREEMENT

ADA CERTIFICATION FORM

BB Franchise, LLC, a California limited liability company, (the "Franchisor") and _____ (the "Franchisee") are parties to a franchise agreement dated _____, 20__ (the "Franchise Agreement") for the operation of a Baked Bear Store at the location identified below (the "Store").

_____
(*BAKED BEAR STORE ADDRESS)*

ADA Certification:

In accordance with Section 7.4 of the Franchise Agreement, Franchisee certifies to Franchisor that to the best of Franchisee's knowledge, the Store and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing or operation of the Store by Franchisor. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee agrees to indemnify Franchisor and each of Franchisor's affiliates, and each of their respective officers, directors, members, shareholders, representatives, employees and agents, in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by such indemnified party(ies) as a result of any matters associated with Franchisee's compliance (or failure to comply) with the Americans with Disabilities Act, as well as the costs, including attorneys' fees, related to the same.

In the event of any dispute concerning or relating to this document and/or any of the transactions and/or matters to which it may apply, such dispute will be resolved in accordance with the dispute resolution provisions of the Franchise Agreement, including Article 16 of the Franchise Agreement. Terms not defined in this document shall have the same meaning as they do in the Franchise Agreement.

[Signatures on Following Page]

All signers are jointly and severally responsible for the representations and promises described in this Acknowledgment and Certification Form.

FRANCHISEE

If Franchisee is an individual:

By: _____

Print Name: _____

Date: _____

By: _____

Print Name: _____

Date: _____

If Franchisee is a corporation or other entity:

_____
[Name of Franchisee]

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT 10 TO
THE BAKED BEAR FRANCHISE AGREEMENT

FOOD TRUCK ADDENDUM

This Food Truck Addendum (this "**Addendum**") is entered into as of _____ (the "**Effective Date**"), by and between BB Franchise, LLC ("**Franchisor**") and _____ ("**Franchisee**"). This Addendum amends and supplements that certain Franchise Agreement dated _____ (the "**Franchise Agreement**"). Capitalized terms not defined in this Addendum have the meanings set forth in the Franchise Agreement.

RECITALS

WHEREAS, the Franchise Agreement is written around a single, fixed brick-and-mortar Baked Bear Store operating from an Authorized Location.

WHEREAS, Franchisor desires to permit limited mobile operations ancillary to a Baked Bear Store, subject to Franchisor approval and control.

NOW, THEREFORE, in consideration of the foregoing and the promises, covenants and agreements herein contained, and in further consideration of the Franchise Agreement and the promises, covenants and agreements therein contained, and for other good and valuable consideration, the receipt, adequacy, and sufficiency of all of which are hereby acknowledged, the parties agree as follows:

1. **Preservation of Franchise Agreement.** Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement. In the event of a conflict, this Addendum controls solely with respect to Food Truck operations.

2. **Definition.** "**Food Truck**" means a franchisor-approved mobile vehicle or similar unit used to sell authorized products under the System and expressly associated with a specific Baked Bear Store. A Food Truck is not a separate franchise and does not constitute an additional Authorized Location.

3. **Authorized Sales; Override of Location Restrictions**. Notwithstanding anything to the contrary in the Franchise Agreement, including any provision limiting the sale of products or services to the Authorized Location, Franchisee is authorized to sell approved Baked Bear products from an approved Food Truck solely in accordance with this Addendum. Except as expressly provided in this Addendum, all restrictions on off-site or non–Authorized Location sales remain in full force and effect.

4. **Eligibility and Discretionary Approval.** Franchisee may operate a Food Truck only if Franchisee (a) either has at least two (2) Baked Bear Stores open and operating or has entered into an Area Development Agreement requiring the development of at least two (2) Baked Bear Stores; (b) has at least one Baked Bear Store that has been open and operating for at least four (4) months, and the Food Truck may not commence operations until after such four (4)-month period; **and** (c) is otherwise in full compliance with the Franchise Agreement. Approval to operate a Food Truck is a limited, conditional privilege, not a contractual right, and may be conditioned, modified, suspended, or revoked by Franchisor in its reasonable business judgment to protect the System.

5. **Approval Process and Food Truck Fee**. Franchisee must obtain Franchisor's prior written approval before acquiring, converting, branding, or operating any Food Truck. Upon execution of this Addendum, and as a condition to Franchisor's approval to operate a Food Truck becoming effective, Franchisee must pay Franchisor a one-time, non-refundable "**Food Truck Fee"** of Ten Thousand Dollars ($10,000). The Food Truck fee is not an initial franchise fee and does not grant any additional franchise or territorial rights.

6. **Vehicle Acquisition and Build-Out**. Franchisee may acquire and convert a new or used vehicle at Franchisee's sole cost and expense. Franchisor must approve the vehicle, layout, equipment, and final build-out prior to commencement of operations. Franchisor reserves the right to require approved suppliers or specifications in the future.

7. **Branding and Trademark License**. Notwithstanding any provision of the Franchise Agreement limiting use of the Marks to the Authorized Location, Franchisor grants Franchisee a limited, non-exclusive, revocable license to use the Marks on an approved Food Truck, strictly in accordance with Franchisor's branding standards and approval requirements. Each Food Truck must display franchisor-approved Baked Bear trademarks, trade dress, wrap, and signage, as designated by Franchisor. Franchisor will provide Franchisee with the required design standards and specifications for the Food Truck, which Franchisee must follow in all respects. Such design standards and specifications may be included in the Manual or otherwise communicated to Franchisee by Franchisor from time to time. Franchisee may not use any Marks on the Food Truck without Franchisor's prior written approval.

8. **Territory**. Notwithstanding any territorial protections granted under the Franchise Agreement, Food Truck operations are not restricted by the Protected Radius of the Baked Bear Store with which the Food Truck is associated. However, a Food Truck may not operate within the protected radius granted to another franchisee for its Baked Bear Store without Franchisor's prior written consent. Franchisee must provide Franchisor with advance written notice of the geographic areas in which Franchisee intends to operate the Food Truck and must obtain Franchisor's prior written approval for such areas before commencing operations therein. Franchisee must also notify Franchisor in advance of any proposed changes to the areas in which the Food Truck will operate and obtain Franchisor's prior written approval for any such changes. The Protected Radius associated with a Baked Bear Store does not apply to Food Truck operations and does not grant Franchisee any exclusive rights with respect to Food Truck operations. Franchisor may restrict, relocate, suspend, or require cessation of Food Truck operations in its reasonable business judgment to protect the System. Franchisor may require relocation or cessation of Food Truck operations in any geographic area in which Franchisor later grants a franchise or company-owned location.

9. **Royalties and Reporting**. Notwithstanding any provision of the Franchise Agreement addressing fees or royalties, Franchisor may require Food Truck sales to be reported separately from Baked Bear Store sales for operational or accounting purposes. Food Truck sales will be included in Gross Sales for purposes of calculating royalties and required marketing fund contributions and will be subject to the same royalty rate applicable to the associated Baked Bear Store.

10. **Food Truck Operations**. Franchisee must operate the Food Truck in accordance with all applicable System standards and requirements. Franchisor may provide operational guidance, standards, and best practices specific to Food Truck operations from time to time, and Franchisee agrees to comply with such guidance and requirements as communicated by Franchisor.

11. **Insurance**. In addition to the insurance required under the Franchise Agreement, Franchisee must maintain insurance coverage appropriate for Food Truck operations, in types and amounts approved by Franchisor from time to time.

12. **State Law Compliance**. This Addendum is intended to be applied in a manner consistent with applicable federal and state franchise laws. To the extent any provision of this Addendum is determined to be unenforceable under applicable law in a particular jurisdiction, such provision shall be deemed modified to the minimum extent necessary to comply with such law, without affecting the enforceability of the remaining provisions.

13. **No Separate Franchise; Reservation of Rights**. Operation of a Food Truck is ancillary to the Baked Bear Store and creates no additional franchise, territory, or exclusive rights. Franchisor reserves all rights not expressly granted herein.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first written above.

FRANCHISOR:

BB FRANCHISE, LLC
a California limited liability company

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

_____, a/an
_____
[e.g., Individual, Corporation, or Limited Liability Company]

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

EXHIBIT B
TO FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

THE BAKED BEAR

AREA DEVELOPMENT AGREEMENT

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EXHIBITS

A. DESCRIPTION OF TERRITORY

B. DEVELOPMENT SCHEDULE

C. GUARANTY AND ASSUMPTION OF OBLIGATIONS

THE BAKED BEAR
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "Agreement") is made effective as of the Effective Date, by and between BB Franchise, LLC, a California limited liability company, doing business as "The Baked Bear" ("Franchisor) and _____, a/an _____ _____("Developer"). The "Effective Date" is the date Franchisor signs this Agreement as shown beneath its signature hereto.

RECITALS

A. **WHEREAS**, The Baked Bear, LLC, a California limited liability company ("Licensor") owns and has developed and administers a system, including methods, trade secrets, copyrights, ingredient lists, confidential and proprietary information and other intellectual property rights (the "System") for the establishment and operation of distinctive retail ice cream sandwich stores specializing in custom ice cream sandwiches, including cookie and brownie ice cream sandwiches, and also offering a variety of other desserts that include cookies, warm cookie pies, milkshakes, floats**,** and ice cream sundaes ("Baked Bear Stores") identified by "The Baked Bear Custom Ice Cream Sandwiches", "The Baked Bear" or "Baked Bear" trade name, logo and other trademarks and service marks and related trade dress, as licensed hereunder (the "Marks").

B. **WHEREAS,** the System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of Baked Bear Stores, including, without limitation, confidential manuals (collectively, the "Manual"), recipes, ingredients, menu specifications, marketing, advertising and sales promotions, equipment, furniture and fixtures, cost controls, accounting and reporting procedures, personnel management, training methods, distinctive interior design and display procedures, and color scheme and decor.

C. **WHEREAS**, Franchisor has licensed from Licensor the non-exclusive rights to franchise the System and the Marks in connection with its franchise program. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a license to establish and operate a Baked Bear Store.

D. **WHEREAS**, Developer has applied for an option to obtain licenses to establish and operate a minimum of three (3) Baked Bear Stores within a specified territory and such application has been approved by Franchisor in reliance upon all of the representations made therein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

I. GRANT

(a) Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, options to obtain licenses to establish and operate a minimum of three (3) Baked Bear Stores within the territory described in Exhibit A attached hereto and incorporated herein by this reference (the "Designated Territory").

(b) Developer shall be bound by the Development Schedule ("Development Schedule") set forth in Exhibit B. Time is of the essence to this Agreement. Each Baked Bear Store shall be established and operated pursuant to a separate franchise agreement ("Franchise Agreement") to be entered into by Developer and Franchisor. Each Franchise Agreement shall be in Franchisor's then-current form of the Franchise Agreement. Developer acknowledges and agrees that all Franchise Agreements entered into in connection with the Baked Bear Stores within the Designated Territory are independent of this Agreement. The continued existence of such Franchise Agreement shall not depend on the continuing existence of this Agreement.

(c) This Agreement is not a Franchise Agreement, and Developer shall have no right to use the Marks in any manner by virtue hereof or to engage in the business of offering, selling or distributing goods or services under the Marks or the System in any manner.

(d) Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

II. NO EXCLUSIVITY

(a) Developer receives no exclusive rights to the Designated Territory under this Agreement. So long as Developer is in good standing and in compliance with this Agreement, Franchisor will not establish or license another to establish a Baked Bear Store in the Designated Territory.

(b) During the term of this Agreement, Franchisor reserves the right to:

(i) establish and operate, and allow others to establish and operate, Baked Bear Stores using the Marks and the System, at any location outside the Designated Territory, on such terms and conditions Franchisor deems appropriate;

(ii) establish and operate, and allow others to establish and operate, Competitive Businesses that may offer products and services which are identical or similar to products and services offered by the Baked Bear Stores, under trade names, trademarks, service marks and commercial symbols different from the Marks outside the Designated Territory;

(iii) establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, temporary or mobile facilities, sales through retail stores that do not operate under the Marks, sales made at wholesale, or sales via the Internet), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from the Baked Bear Stores, and that sell products and/or services that are identical or similar to, and/or competitive with, those that the Baked Bear Stores customarily sell;

(iv) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Baked Bear Stores, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

(v) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Baked Bear Stores, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Designated Territory; and

(vi) engage in all other activities not expressly prohibited by this Agreement.

III. DEVELOPMENT FEE

(a) As consideration for the rights and options granted herein, Developer shall pay to Franchisor a development fee (the "Development Fee") in the amount of _____($_____), which amount is equal to $28,000 multiplied by the number of Baked Bear Stores to be developed under the terms of this Agreement within the Designated Territory. The Development Fee is to be paid in a lump sum simultaneously with the execution of this Agreement. The Development Fee is fully earned by Franchisor when paid and is non-refundable, in whole or in part, under any circumstance.

(b) Notwithstanding anything to the contrary contained in the Franchise Agreement, the Initial Franchise Fee due for each Baked Bear Store developed hereunder shall be Twenty-Eight Thousand Dollars ($28,000).

(c) The Development Fee shall be applied to the Initial Franchise Fee due for each of the Baked Bear Stores developed hereunder, upon the execution of the Franchise Agreement.

(d) Developer shall submit a separate application for each Baked Bear Store to be established within the Designated Territory by Developer. Upon approval of the site for the Baked Bear Store by Franchisor, a separate Franchise Agreement shall be executed for such Baked Bear Store. Each time Developer signs a Franchise Agreement for a Baked Bear Store developed hereunder, Franchisor will credit the amount paid for that Baked Bear Store as part of the Development Fee against the Initial Franchise Fee due for such Baked Bear Store. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Baked Bear Store.

IV. DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING OPTIONS

(a) Developer agrees to have open and in operation at the end of each Development Period, as defined in the Development Schedule, the cumulative number of Baked Bear Stores set forth on the Development Schedule. During each Development Period, Developer shall exercise options by entering into Franchise Agreements with Franchisor pursuant to this Agreement for the number of Baked Bear Stores described under the Development Schedule and have such number of Baked Bear Stores open for business. Developer shall at all times after the expiration of each of the Development Periods continuously maintain in operation pursuant to each Franchise Agreement at least the number of Baked Bear Stores set forth on the Development Schedule, provided however that such obligation does not apply to Baked Bear Stores that are transferred in accordance with the provisions of the Franchise Agreement, or are closed due to force majeure.

(b) Developer shall exercise each option granted herein only as follows:

(i) By giving Franchisor written notice of Developer's intention to exercise such option at least thirty (30) days before the execution of the Franchise Agreement for the applicable business; and

(ii) By executing the then-current form of the Franchise Agreement for the applicable Baked Bear Store and complying with its terms, including, without limitation, the payment of the unpaid balance of the applicable Initial Franchise Fee.

(c) Franchisor shall execute the Franchise Agreement only if (i) Developer is in compliance with all requirements and obligations of this Agreement and all other agreements between Franchisor and Developer, and (ii) Developer is in strict compliance with all of Developer's respective obligations under each Franchise Agreement, including, without limitation, its financial obligations and obligation to operate each Baked Bear Store in compliance with the System. In order to meet the Development Schedule, the Franchise Agreement must be executed by Developer/Franchisee and Franchisor and the Baked Bear Store to be operated under such Franchise Agreement must be open for business within the applicable Development Period. Developer must comply with all of the terms and conditions of each Franchise Agreement.

V. TERM

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted hereunder to Developer shall expire on the date of Franchisor's acceptance and execution of a Franchise Agreement for the last Baked Bear Store to be established pursuant to the Development Schedule.

VI. DEVELOPER'S DUTIES

Developer shall perform the following obligations:

(a) Developer shall comply with all terms and conditions set forth in this Agreement.

(b) Developer shall comply with all of the terms and conditions of each Franchise Agreement, including, without limitation, the operating requirements specified in each Franchise Agreement. However, Developer will not be required to attend the initial franchisee training conducted by Franchisor in connection with the second or any subsequent Baked Bear Store.

(c) At Franchisor's option, at any time during this Agreement, Franchisor may require Developer to engage a district manager to oversee the development and operation of Developer's Baked Bear Store. Such district manager shall be in addition to, not in lieu of, the managers responsible for the day to day operations of the Baked Bear Stores, as required under the Franchise Agreements.

(d) Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and Developer shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. All of Developer's employees or agents who must have access to such information or materials shall be required to execute nondisclosure agreements in the form acceptable to Franchisor. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(e) Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

(f) Developer shall return to Franchisor all manuals and other confidential information that Developer received from Franchisor in the course of operating the Baked Bear Store when Developer leaves the System.

VII. PROPRIETARY MARKS/CONFIDENTIALITY

Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that this Agreement does not grant Developer any right to use the Marks or to use any of Franchisor's confidential information. Further, it is understood and agreed that this Agreement does not grant Developer, and Developer does not have any right to, any copyright or patent which Franchisor now owns or may hereinafter own. Rights to the Marks, confidential information or copyrights are granted only under the Franchise Agreements to be executed by Franchisor and Developer/Franchisee.

VIII. DEFAULT AND TERMINATION

(a) The options granted to Developer in this Agreement have been granted in reliance on Developer's representations and warranties, and strictly on the conditions set forth in this Agreement, including, without limitation, the condition that Developer strictly complies with the Development Schedule.

(b) Developer shall be deemed in default under this Agreement, and all rights granted herein to Developer shall automatically terminate without notice: (i) if Developer is adjudicated bankrupt, becomes insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of Developer's property or any part thereof is appointed by a court of competent authority or if Developer makes a general assignment for the benefit of Developer's creditors; (ii) if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); (iii) if execution is levied against Developer's business or property, or; (iv) if suit to foreclose any lien or mortgage against Developer's premises or equipment is instituted against Developer and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Developer.

(c) If Developer (i) fails to exercise options and enter into Franchise Agreements with Franchisor pursuant to this Agreement for a Baked Bear Store within any Options Period, as set forth on the Development Schedule; (ii) fails to comply with any other term or condition of this Agreement; or (iii) makes or attempts to make a transfer or assignment in violation of this Agreement; (iv) fails to comply with or meet any operational standards, including, but not limited to, the System Standards and Performance Standards in any individual Franchise Agreement with Franchisor; or if Developer fails to comply with the terms and conditions of any individual Franchise Agreement with Franchisor or of any other agreement to which Developer and Franchisor are parties, any such event shall constitute a default under this Agreement. Upon any such default, Franchisor, in Franchisor's discretion, may do any one or more of the following:

(i) Terminate this Agreement and all rights granted hereunder to Developer without affording Developer any opportunity to cure the default effective immediately upon receipt by Developer of written notice from Franchisor;

(ii) Reduce the number of Baked Bear Stores, without refunding any of the Development Fee, which are subject to options granted to Developer pursuant to this Agreement; or

(iii) Exercise any other rights and remedies that Franchisor may have.

(d) Upon termination of this Agreement, all remaining options granted Developer to establish Baked Bear Stores under this Agreement shall automatically be null and void. Developer shall have no right to establish or operate any Baked Bear Store for which a Franchise Agreement has not been executed by Franchisor. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

(e) No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

IX. TRANSFERABILITY

(a) Developer acknowledges that Franchisor maintains a staff to manage and operate the franchise system and that staff customers can change as employees come and go. Developer represents that Developer has not signed this Agreement in reliance on any particular owners, directors, officers or employees remaining with Franchisor in that capacity. Franchisor may change Franchisor's ownership or form and/or assign this Agreement and any other agreement to a third party without restriction.

(b) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and are granted in reliance upon Developer's personal qualifications. Developer has represented and hereby represents to Franchisor that Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or option rights hereunder.

(c) Neither Developer, nor any of Developer's partners (if Developer is a partnership), customers (if Developer is a limited liability company) or shareholders (if Developer is a corporation), without Franchisor's prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person, firm or corporation, all or any part of Developer's interest in this Agreement or Developer's interest in the rights granted hereby or Developer's interest in any proprietorship, partnership, limited liability company, corporation or other entity which owns any interest in such rights, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm or corporation. Developer may not, without Franchisor's prior written consent, fractionalize any of Developer's rights granted pursuant to this Agreement. Any purported assignment of any of Developer's or any of Developer's partner's, member's or shareholder's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder. Any assignment or transfer may only be made if the proposed assignees or transferees: (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet Franchisor's then applicable standards for developers, (iii) are willing to assume all of Developer's obligations hereunder and to execute and be bound by all provisions of Franchisor's then-current form of the Area Development Agreement for a term equal to the remaining term hereof; and (iv) willing to assume all of Developer's obligations under each and every Franchise Agreement Developer entered with Franchisor. As a condition to granting Franchisor's approval of any such assignment or

transfer, Franchisor may require Developer or the assignee or transferee to pay to Franchisor, Franchisor's then-current assignment fee to defray expenses incurred by Franchisor in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or transfer. Franchisor shall have the right to require Developer and Developer's owners to execute a general release of Franchisor and Franchisor's owners, directors, officers, successors and assigns, in form and content satisfactory to Franchisor as a condition to Franchisor's approval of the assignment of this Agreement or ownership of Developer.

(d) This Agreement may be assigned to a partnership, limited liability company or corporation which conducts no business other than the business contemplated hereunder and the operation of the Baked Bear Store(s), which is/are actively managed by Developer and in which Developer owns and controls, and continues to own throughout the term of this Agreement, not less than fifty-one percent (51%) of the general partnership interest, limited liability company interest or the corporate equity and voting power, provided that all partners, customers or shareholders shall execute an assignment agreement in a form approved by Franchisor undertaking to be bound jointly and severally by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation or other evidence of ownership interest in a partnership or limited liability company shall bear a legend reflecting or referring to the restrictions of this Agreement as designated by Franchisor.

(e) If Developer or Developer's owners shall at any time determine to sell the rights under this Agreement or any of Developer's respective ownership interests in Developer or any of Developer's assets (except in the ordinary course of business), Developer or Developer's owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor, which shall, for a period of fifteen (15) days from the date of delivery of such offer, have the right, exercisable by written notice to Developer or Developer's owners, to purchase such rights under this Agreement or such ownership interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and that Franchisor shall have not less than sixty (60) days to prepare for closing. If Franchisor does not exercise this right of first refusal, Developer or Developer's owners, as applicable, may complete the sale of such interest in this Agreement or such ownership interest, subject to Franchisor's approval of the purchaser as provided in this Section IX, provided that if such sale is not completed within ninety (90) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

(f) Developer must give Franchisor ninety (90) days' written notice prior to any sale or assignment of a full or partial interest in Developer by Developer or any of Developer's owners. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws. Developer agrees to indemnify and hold Franchisor harmless for Developer's failure to comply with this Subsection.

(g) Developer must, within fifteen (15) days of receipt of an offer to buy, give Franchisor written notice whenever Developer or any of Developer's owners have received an offer to buy Developer's or such owner's interest in this Agreement or an interest in Developer itself or any options pursuant to this Agreement. Developer must also give Franchisor written notice simultaneously with an offer to sell any interest in this Agreement or an interest in Developer or any options pursuant to this Agreement, made by, for or on behalf of Developer or any of Developer's owners.

(h) No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the options granted thereby, shall relieve Developer and the shareholders, customers or partners participating in any transfer, of the obligations of the covenants not to compete with Franchisor contained in this Agreement except where Franchisor shall expressly authorize in writing.

X. COVENANTS

(a) Developer acknowledges that Franchisor has granted Developer the rights under this Agreement in consideration of and reliance upon Developer's agreement to deal exclusively with Franchisor. Developer therefore agrees that, during this Agreement's term, neither Developer, any of Developer's owners, nor any of Developer's or Developer's owners' immediate family customers will:

(i) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Subsection);

(ii) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(iii) divert or attempt to divert any actual or potential business or customer of a Baked Bear Store to a Competitive Business; or

(iv) engage in any other activity which might injure the goodwill of the Marks and/or the System.

The term "Competitive Business" means any business (other than a Baked Bear Store) principally offering products and services substantially similar to the products and services then being offered by the majority of the Baked Bear Stores.

(b) Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a period of two (2) year after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, partnership, limited liability company or corporation, own, maintain, engage in, consult with or have any interest in any Competitive Business within the Designated Territory or within a five (5) mile radius of any other Baked Bear Store in operation or under construction on the later of the effective date of termination or expiration of this Agreement or on the date on which all persons restricted by this Subsection begin to comply with this Subsection.

(c) Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section X is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section X.

(d) Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section X (a) or X (b) of this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees that Developer shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XVI hereof.

(e) Franchisor shall have the right to require all of Developer's personnel performing managerial or supervisory functions and all personnel receiving special training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

(f) In addition to the foregoing covenants, Developer shall be bound by and comply with the covenants contained in each Franchise Agreement executed by Franchisor and Developer.

XI. NOTICES

(a) All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be given by any of the following methods: (1) personally delivered; (2) mailed by certified or registered mail, return receipt requested, postage paid; (3) by reliable overnight delivery service; or (4) by electronic transmission, including email and facsimile. "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

The addresses for the parties are as follows:

If to Franchisor:

BB Franchise, LLC
Attention: Robert Robbins
4516 Mission Blvd, Suite C
San Diego, California 92109
Email: rob@thebakedbear.com

If to Franchisee:

_____
_____
_____
Attention: _____
Email: _____

(b) The above addresses given for notices may be changed at any time by either party by giving ten (10) calendar days prior written notice to the other party, as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand. Notices sent by electronic transmission shall be deemed to have been given on the next business day after being sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email or facsimile has not been delivered.

XII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

(a) It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

(b) Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

(c) Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any act or omission of Developer in Developer's conduct of any Baked Bear Store or any claim or judgment arising therefrom. Developer shall indemnify and hold Franchisor harmless against any and all such claims directly or indirectly from, as a result of or in connection with Developer's operations hereunder or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

(d) Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at Franchisor's sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any developer based upon the peculiarities of the particular location or circumstance, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of Developer's business under any Franchise Agreement. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder to that which may be accorded to any other developer.

XIII. APPROVALS

(a) Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

(b) Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement or by reason of any neglect, delay or denial of any request therefor.

XIV. NON-WAIVER

No failure by Franchisor to exercise any power reserved to Franchisor in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's right in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance or omission by Franchisor to exercise any power or

right arising out of any breach or default by Developer of any of the terms, provisions or covenants of this Agreement, affect or impair Franchisor's rights, nor shall the same constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

XV. SEVERABILITY AND CONSTRUCTION

(a) Each provision of this Agreement shall be deemed severable from the others.

(b) Nothing in this Agreement shall confer upon any person or legal entity other than the parties hereto and such of their respective successors and assigns as may be contemplated by Section IX hereof, any rights or remedies under or by reason of this Agreement.

(c) All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

(d) All references herein to gender and number shall be construed to include such other gender and number as the context may require and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all the parties hereto which execute this Agreement on Developer's behalf.

(e) This Agreement may be executed in duplicate and each copy so executed shall be deemed an original.

(f) Nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document.

XVI. ENTIRE AGREEMENT

This Agreement constitutes the entire, full and complete agreement between the parties hereto concerning the subject matter hereof, and supersedes all prior agreements. However, nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

XVII. SUPERIORITY OF FRANCHISE AGREEMENT

For each Baked Bear Store developed in the Designated Territory, a separate Franchise Agreement shall be executed and any individual Initial Franchise Fee as prescribed by Franchisor shall be paid to Franchisor. It is understood and agreed by Developer that any and all Franchise Agreements executed in connection with the Baked Bear Store(s) within the Designated Territory are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Designated Territory, the latter shall have precedence and superiority over the former.

XVIII. ENFORCEMENT

(a) No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

(b) Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause Franchisor, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to Franchisor's obligation to arbitrate the underlying claim if required by Section XIX). Developer agrees that Franchisor may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. Developer agrees that Franchisor will not be required to post a bond to obtain injunctive relief and that Developer's only remedy if an injunction is entered against Developer will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

XIX. DISPUTE RESOLUTION

For the purposes of this Section XIX, "Developer" shall be deemed to include its owners, affiliates and its respective employees, and "Franchisor" shall be deemed to include Franchisor, its parent, and its affiliates.

(a) MEDIATION, MANDATORY BINDING ARBITRATION, AND WAIVER OF COURT TRIAL

Developer and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Developer and Franchisor have agreed that the provisions of this Section XIX support these mutual objectives and, therefore, agree as follows:

(1) **Claim Process**. Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, including any claim for equitable relief and/or where Developer is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Developer and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner, Developer and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section XIX.(4).

(i) First, the Claim will be discussed in a face-to-face meeting held in the county where Franchisor's then-current headquarters is located, within thirty (30) days after either Developer or Franchisor give written notice to the other proposing such a meeting.

(ii) Second, if the Claim is not resolved from the face-to-face meeting, it shall be submitted to non-binding mediation in the county where Franchisor's then-current headquarters is located, for a minimum of four (4) hours before (i) Franchise Arbitration and Mediation, Inc. ("FAM") or its successor (or an organization designated by FAM or its successor), or (ii) any other mediation organization approved by all parties, or (iii) by the American Arbitration Association or its successor (or an organization designated by its successor), if FAM cannot conduct such mediation and the parties cannot

agree on a mediation organization. The parties will share the costs of the first four (4) hours of any mediation, and no mediation is required to extend beyond such four (4) hour period. Any mediation/arbitration (and any appeal of arbitration) will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding.

(iii) Third, the Claim shall be submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction. Any dispute arising out of or in connection with this arbitration provision, including any question regarding its existence, validity, scope, or termination shall be referred to and finally resolved by arbitration.

(2) **Confidentiality**. The parties to any meeting/mediation/arbitration will sign confidentiality agreements. However, the parties will be permitted to make public disclosures and filings as are required by law and will be permitted to speak to individuals reasonably necessary to prepare for mediation or arbitration, including but not limited to percipient witnesses and expert witnesses.

(3) **Fees and Costs**. In the event of any arbitration or litigation (also including appeals, petitions for confirmation, modification, or vacation of an award) arising out of or relating to a Claim, this Agreement, the breach of this Agreement, or the relationship of the parties to this Agreement, the prevailing party will be reimbursed by the other party for all costs and expenses incurred in connection with such arbitration or litigation, including, without limitation, reasonable attorneys' fees.

(4) **Disputes Not Subject to the Mediation/Arbitration Process**. Claims or disputes seeking (a) injunctive relief as to the validity of the Marks and/or any intellectual property licensed to Franchisee and use of the Marks or other intellectual property licensed to the Franchisee, (b) injunctive relief for health and safety issues and violations, or (c) injunctive relief as to the validity and enforcement of the covenants not to compete, may be submitted to Court, provided that only the portion of any such claim or dispute requesting injunctive relief shall be subject to Court action, and any portion of such claim or dispute seeking monetary damages or other relief will be subject to the Claim Process outlined above in paragraph XIX (a).

(5) **Intentions of Developer and Franchisor**. Developer and Franchisor mutually agree (and have expressly had a meeting of the minds) that, notwithstanding any contrary provisions of state, federal or other law, and/or any statements in Franchisor's Franchise Disclosure Document required by a state or the Federal government as a condition to registration or for some other purpose:

(i) all issues relating to the enforcement of arbitration-related provisions of this Agreement will be decided by the arbitrator (including all Claims that any terms were procured by fraud or similar means) and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration and exclusive of state statutes and/or common law;

(ii) all provisions of this Agreement shall be fully enforced, including (but not limited to) those relating to arbitration, waiver of jury trial, limitation of damages, venue, choice of laws;

(iii) Developer and Franchisor intend to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to its terms;

(iv) Developer and Franchisor each knowingly waive all rights to a court or jury trial (except as expressly provided in this Agreement), understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, but still strongly preferring mediation and/or arbitration as provided in this Agreement; and

(v) the terms of this Agreement (including but not limited to this Section XIX) shall control with respect to any matters of choice of law. Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document it furnished to Developer.

(b) VENUE

Without in any way limiting or otherwise affecting the obligations of Developer and Franchisor under Section XIX (a) above, Developer and Franchisor agree that any litigation will be brought in a court of competent jurisdiction in the county where Franchisor's then-current headquarters is located.

(c) TERMS APPLICABLE TO ALL PROCEEDINGS, WAIVER OF TRIAL BY JURY, CERTAIN CLAIMS, AND CLASS ACTION RIGHTS

With respect to any arbitration, litigation or other proceeding of any kind, Developer and Franchisor:

(1) **knowingly waive all rights to trial by jury**; and

(2) **will pursue any proceeding on an individual basis only, and not on a class-wide or multiple plaintiff basis**.

(d) LIMITATIONS ON CLAIMS

Neither party may make claims for emotional distress, whether negligent or intentional, nor punitive damages.

(e) PERIODS IN WHICH TO MAKE CLAIMS

No arbitration, action or suit (whether by way of claim, counter-claim, cross-complaint, raised as an affirmative defense, offset or otherwise) by either Developer or Franchisor will be permitted against the other, whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other Claim of any type, unless such party commences such arbitration proceeding, action or suit before the expiration of the earlier of:

(1) One (1) year after the date on which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(2) Eighteen (18) months after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

The above periods may begin to run, and will not be tolled, even though the claiming party was not aware of the legal theories, statutes, regulations, case law or otherwise on which a claim might be based. If any federal, state or provincial law provides for a shorter limitation period than is described in this Section, then such shorter period will govern. The time period for actions for indemnity shall not begin to run until the indemnified party(ies) have been found liable and any time for appeals has run in the underlying action.

(f) SEVERABILITY OF PROVISIONS

Each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution).

(g) CHOICE OF LAWS

Developer and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Developer and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Developer and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of California; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) shall **not** apply unless that state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section XIX.(g). Developer and Franchisor agree that this provision shall be enforced without regard to the laws of California relating to conflicts of laws or choice of law.

XX. "DEVELOPER" DEFINED AND GUARANTY

If two or more persons are at any time parties to this Agreement, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Developer (or a transferee of this Agreement or an ownership interest in Developer), including, without limitation, any person who has a direct or indirect interest in Developer (or a transferee) or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a "controlling ownership interest" in Developer or one of Developer's owners (if an entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Developer or one of Developer's owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation,

limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

XXI. ELECTRONIC MAIL

(a) Developer acknowledges and agrees that exchanging information with Franchisor by e-mail is efficient and desirable for day-to-day communications and that Franchisor and Developer may utilize e-mail for such communications. Developer authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and affiliates ("Official Senders") to Developer during the term of this Agreement. Developer further agrees that: (a) Official Senders are authorized to send e-mails to those of Developer's employees as Developer may occasionally authorize for the purpose of communicating with Franchisor; (b) Developer will cause Developer's officers, directors and employees to give their consent to Official Senders' transmission of e-mails to them; (c) Developer will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with Developer; and (d) Developer will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

(b) This consent given in this Section shall not apply to the provision of notice by either party under this Agreement pursuant to Section XI unless Franchisor and Developer otherwise agree in a written document manually signed by both parties.

XXII. ACKNOWLEDGMENTS

Developer acknowledges:

(a) That Developer has independently investigated this franchise opportunity and recognizes that, like any other business, the nature of the business a Baked Bear Store conducts may, and probably will, evolve and change over time.

(b) That an investment in a Baked Bear Store involves business risks that could result in the loss of a significant portion or all of Developer's investment.

(c) That Developer's business abilities and efforts are vital to Developer's success and the success of Developer's business.

(d) That Developer has not received from Franchisor, and is not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Baked Bear Store, that any information Developer has acquired from other Developers/Franchisees regarding their sales, profits, or cash flows was not information obtained from Franchisor, and that Franchisor makes no representation about that information's accuracy.

(e) That in all of their dealings with Developer, Franchisor's officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between Developer and them as a result of this Agreement are deemed to be only between Developer and Franchisor.

(f) That Developer has represented to Franchisor, to induce Franchisor's entry into this Agreement, that all statements Developer has made and all materials Developer has given Franchisor are

accurate and complete and that Developer has made no misrepresentations or material omissions in obtaining the franchise.

(g) That Developer has read this Agreement and Franchisor's franchise disclosure document and understands and accepts that this Agreement's terms and covenants are reasonably necessary for Franchisor to maintain Franchisor's high standards of quality and service, as well as the uniformity of those standards at each Baked Bear Store, and to protect and preserve the goodwill of the Marks.

(h) That Franchisor has not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and Franchisor's franchise disclosure document, and that Developer has independently evaluated this opportunity, including by using Developer's business professionals and advisors, and has relied solely upon those evaluations in deciding to enter into this Agreement.

(i) That Developer has been afforded an opportunity to ask any questions Developer has and to review any materials of interest to Developer concerning this franchise opportunity.

(j) That Developer has been afforded an opportunity, and has been encouraged by Franchisor, to have this Agreement and all other agreements and materials Franchisor has given or made available to Developer reviewed by an attorney and has either done so or elected not to do so.

(k) That Developer has a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and Developer will have sufficient funds to meet all of Developer's obligations under this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the dates set forth below to be effective upon execution by Franchisor.

FRANCHISOR

BB FRANCHISE, LLC
a California limited liability company

By:_____

Print Name: _____

Title:_____

Effective Date:_____

DEVELOPER

(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Name]

By:_____

Title:_____

Date:_____

[Signatures continued on next page.]

(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

_____

[Signature]

_____

[Print Name]

Date:_____

_____

[Signature]

_____

[Print Name]

Date:_____

EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT

DESCRIPTION OF DESIGNATED TERRITORY

_____

_____

_____

_____

_____

FRANCHISOR

BB FRANCHISE, LLC
a California limited liability company

By:_____

Print Name: _____

Title:_____

Effective Date:_____

DEVELOPER

(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Entity Name]

By:_____

Title:_____

Date:_____

(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

_____
[Signature]

_____
[Print Name]

Date:_____

_____
[Signature]

_____
[Print Name]

Date:_____

EXHIBIT B TO MULTI-UNIT DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

At the dates set forth below, Developer is obligated by Section IV of the Area Development Agreement to have open and in operation the number of Baked Bear Stores as indicated below:

Development Period	Date Development Period Commences	Date Development Period Ends	Cumulative Number of Stores to be Open and in Operation
First	_____, 20__	_____, 20__	_____
Second	_____, 20__	_____, 20__	_____
Third	_____, 20__	_____, 20__	_____

FRANCHISOR

BB FRANCHISE, LLC
a California limited liability company

By:_____

Print Name: _____

Title:_____

Effective Date:_____

DEVELOPER

(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Entity Name]

By:_____

Title:_____

Date:_____

(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

_____
[Signature]

_____
[Print Name]

Date:_____

_____
[Signature]

_____
[Print Name]

Date:_____

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

For value received, and in consideration for, and as an inducement to BB Franchise, LLC ("Franchisor") to execute The Baked Bear Area Development Agreement (the "Area Development Agreement"), of even date herewith, by and between Franchisor and _____ or his assignee, if a partnership, corporation or limited liability company is later formed ("Developer"), _____ ("Guarantor(s)"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Developer of each obligation undertaken by Developer under the terms of the Area Development Agreement, including all of Developer's monetary obligations arising under or by virtue of the Area Development Agreement.

Upon demand by Franchisor, Guarantor(s) will immediately make each payment required of Developer under the Area Development Agreement. Guarantor(s) hereby waives any right to require Franchisor to: (a) proceed against Developer for any payment required under the Area Development Agreement; (b) proceed against or exhaust any security from Developer; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer. Without affecting the obligations of Guarantor(s) under this Guarantee, Indemnification and Acknowledgment, Franchisor may, without notice to Guarantor(s), extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust or compromise any claims against Developer.

Guarantor(s) waives notice of amendment of the Area Development Agreement and notice of demand for payment by Developer, and agrees to be bound by any and all such amendments and changes to the Area Development Agreement.

Guarantor(s) hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorney's fees, reasonable costs of investigations, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Area Development Agreement, any amendment, or any other agreement executed by Developer referred to therein.

Guarantor(s) hereby acknowledges and agrees to be individually bound by all covenants contained in the Area Development Agreement and all terms and conditions of the Area Development Agreement requiring Developer not to disclose confidential information.

This Guarantee shall terminate upon the expiration or termination of the Area Development Agreement, except that all obligations and liabilities of Guarantor(s) that arise from events that occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by Guarantor(s), and all covenants that by their terms continue in force after termination or expiration of the Area Development Agreement shall remain in force according to their terms. Upon the death of an individual Guarantor, the estate of such Guarantor will be bound by this Guarantee, but only for defaults and obligations existing at the time of death, and the obligations of the other Guarantor(s) will continue in full force and effect.

The validity of this Guarantee and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might

take or be forced to take against Developer, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Area Development Agreement or otherwise.

The use of the singular herein shall include the plural. Each term used in this Guarantee, unless otherwise defined herein, shall have the same meaning as when used in the Area Development Agreement.

This Guarantee is to be performed in San Diego, California, and shall be governed by and construed in accordance with the laws of the State of California. Guarantor(s) specifically agrees that the state and federal courts situated in San Diego, California, shall have exclusive jurisdiction over Guarantor(s) and this Guarantee, and further agrees that any action relating to this Guarantee may be brought solely in either the San Diego, California Superior court or the United States District Court for the Southern District of California. In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of California as his/her agent for service of process to receive summons issued by the court in connection with any such litigation. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Area Development Agreement (except as otherwise provided in Article 16 of the Area Development Agreement).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Area Development Agreement.

GUARANTOR	**GUARANTOR**
By: _____	By: _____
Print Name: _____	Print Name: _____
SS #: _____	SS #: _____
DOB: _____	DOB: _____
Driver's License No. _____	Driver's License No: _____

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

_____	_____
Name of Guarantor	Name of Guarantor
_____	_____
Name of Guarantor's Spouse	Name of Guarantor's Spouse
_____	_____
Signature of Guarantor's Spouse	Signature of Guarantor's Spouse

EXHIBIT C
TO FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

Report of Independent Auditors
and Financial Statements

BB Franchise, LLC

December 31, 2025, 2024, and 2023

bakertilly

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Report of Independent Auditors

The Members
BB Franchise, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BB Franchise, LLC, which comprise the balance sheets as of December 31, 2025, 2024, and 2023, and the related statements of operations and changes in member's (deficit) equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BB Franchise, LLC, as of December 31, 2025, 2024, and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of BB Franchise, LLC, as of December 31, 2023 were audited by other auditors whose report dated March 28, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BB Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BB Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Baker Tilly US, LLP

Irvine, California
March 24, 2026

Financial Statements

BB Franchise, LLC
Balance Sheets
December 31, 2025, 2024, and 2023

	2025	2024	2023
ASSETS			
CURRENT ASSETS			
Cash	$ 504,896	$ 279,456	$ 388,265
Franchise receivables	69,998	82,551	74,423
Total assets	$ 574,894	$ 362,007	$ 462,688
LIABILITIES AND MEMBERS' DEFICIT			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 56,907	$ 25,446	$ 46,912
Due to related party	7,856	7,556	4,889
Contract liability, current	146,648	95,163	31,333
Total current liabilities	211,411	128,165	83,134
CONTRACT LIABILITY, net of current portion	415,353	383,021	415,081
Total liabilities	626,764	511,186	498,215
MEMBERS' DEFICIT	(51,870)	(149,179)	(35,527)
Total liabilities and members' deficit	$ 574,894	$ 362,007	$ 462,688

See accompanying notes.

BB Franchise, LLC
Statements of Operations and Changes in Members' (Deficit) Equity
Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2023
REVENUE			
Royalties	$ 1,362,966	$ 1,111,606	$ 937,608
Franchise fees	83,361	78,556	95,586
Other income	227,563	164,373	109,264
Total revenue	1,673,890	1,354,535	1,142,458
OPERATING EXPENSES			
General and administrative	1,016,581	758,337	642,591
NET INCOME	657,309	596,198	499,867
MEMBERS' (DEFICIT) EQUITY			
Beginning of year	(149,179)	(35,527)	14,606
Distributions	(560,000)	(709,850)	(550,000)
End of year	$ (51,870)	$ (149,179)	$ (35,527)

See accompanying notes.

BB Franchise, LLC
Statements of Cash Flows
Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 657,309	$ 596,198	$ 499,867
Change in operating assets and liabilities			
Franchise receivables	12,553	(8,128)	(17,959)
Due from members	-	-	27,500
Prepaid expenses	-	-	8,642
Accounts payable and accrued expenses	31,461	(21,466)	31,593
Due to related party	300	2,667	-
Deferred revenue	83,817	31,770	179,414
Net cash provided from operating activities	785,440	601,041	729,057
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions to members	(560,000)	(709,850)	(550,000)
Net cash used in financing activities	(560,000)	(709,850)	(550,000)
NET INCREASE (DECREASE) IN CASH	225,440	(108,809)	179,057
CASH, beginning of year	279,456	388,265	209,208
CASH, end of year	$ 504,896	$ 279,456	$ 388,265
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for taxes	$ 971	$ 600	$ 5,116

See accompanying notes.

Note 1 – Organization and Description of Business

BB Franchise, LLC (the Company), a California limited liability company (LLC) was formed on July 14, 2014. The Company was formed for the purpose of franchising a distinctive retail ice cream concept under the name “The Baked Bear.” The franchise concept specializes in custom ice cream sandwiches, various other dessert items, and catering services. The Company is owned by a group of individuals (the Members).

The Company entered into a perpetual, nontransferable, and royalty free license agreement with The Baked Bear, LLC (the Licensor). The Licensor is an entity related to the Company through common ownership with the Company’s Members. The license agreement grants the Company an exclusive right to use the Baked Bear trademarks, service marks, and other intellectual property (Baked Bear IP). It gives the Company the ability to license the Baked Bear IP to franchisees under the franchise agreements.

The Company had the following changes in its franchised-owned store count:

Franchise Count	
January 1, 2023	24
Opened	2
Closed	(2)
December 31, 2023	24
Opened	7
Closed	(1)
December 31, 2024	30
Opened	5
Closed	(1)
December 31, 2025	34

The Company’s franchise agreements typically operate under five-year franchise agreements with the option to renew for up to two additional five-year successor terms.

The Company may enter into area development agreements. The Company’s performance obligation under area development agreements generally consists of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred as contract liabilities and apportioned to each franchise agreement signed by the franchisee. The pro rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition. References to ASC and ASU included hereinafter refers to the Accounting Standards Codification and Accounting Standards Update established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Use of estimates – The preparation of the financial statements, in accordance with U.S. GAAP, requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date. The actual results could differ significantly from those estimates.

Cash – The Company considers all highly liquid debt instruments purchased with an original maturity of 90 days or less to be cash equivalents. As of December 31, 2025, 2024, and 2023, the Company carried no cash equivalents.

Concentration of credit risk – Financial instruments, which may potentially be subject to a concentration of credit risk, consist of cash. The Company maintains substantially all of the day-to-day operating cash balances with a major financial institution. The Company has experienced no loss or lack of access to cash in its operating account.

Fair value measurements – The Company's financial instruments, none of which are held for trading purposes, include current assets, accounts payable, and accrued expenses. The carrying amount of notes payable approximates fair vales as the interest rates are based on established market rates. Management estimates that the fair value of all financial instruments as of December 31, 2025, 2024, and 2023, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements due to the short maturities of these instruments.

Franchise receivables – Franchise receivables primarily consist of amounts due from franchisees for royalty revenue. Amounts are stated at the amounts expected to be collected from balances outstanding. The Company estimates the allowance for credit losses when credit losses are expected. As of December 31, 2025, 2024, and 2023, there was no allowance for credit losses recorded. As of January 1, 2023, the opening balance of accounts receivable was approximately $56,000.

Contract liability – Contract liability or deferred revenue is a liability related to a revenue-producing activity for which revenue has not yet been recognized. The Company records a contract liability when it receives consideration from a customer before achieving certain criteria that must be met for revenue to be recognized in conformity with U.S. GAAP.

Revenue recognition – The Company records revenue under FASB ASC Topic 606, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services. The Company analyzes each contract for separate performance obligations existing over the term of the contract and recognizes revenue as those performance obligations are satisfied. As part of its assessment of each franchise contract, the Company evaluates certain factors including the customer's ability to pay, or credit risk. For each contract, the Company considers the promise to fulfill services, each of which is distinct to be the identified performance obligations. The Company has broken the revenue streams as follows:

Franchise and development fee revenues – The franchise arrangement between the Company and each franchise owner of a Baked Bear concept is documented in the form of a franchise agreement and, in select cases, an area development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the Baked Bear brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company are highly interrelated with the franchise license and Baked Bear IP and are considered to represent a single performance obligation, which is the transfer of the franchise license and intellectual property. The Company defers initial and renewal fees and recognizes revenue over the period in which the franchisee receives and consumes benefits from the Company's ongoing performance obligation to provide a franchise license. This pattern of recognition generally occurs on a straight-line basis over the initial term of the related franchise agreement.

The Company may enter into area development agreements. The Company's performance obligation under area development agreements generally consists of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred as contract liabilities and apportioned to each franchise agreement signed by the franchisee. The pro rata amount apportioned to each franchise agreement is recognized as revenue over the life of the agreement, starting at the location opening date.

Royalty revenue – Royalty revenue represents royalties earned from franchisees in accordance with the franchise agreements. The royalty rate in the franchise agreement is typically 6% of the gross sales for each location, which is recognized when earned and is payable to the Company monthly.

Other revenue – The Company recognizes revenues from other fees from social media and marketing management and other services provided to the franchisees as a single performance obligation, when the services are rendered.

Income taxes – The Company is an LLC and is classified as a partnership for income tax purposes. The Company's taxable income or loss is reportable by the Members on its income tax return. Accordingly, no taxes payable or deferred tax assets or liabilities are reflected in these financial statements.

General and administrative – General and administrative expenses consist primarily of professional services, salaries, office supplies, and advertising and promotional expenses. For the years ended December 31, 2025, 2024, and 2023, the Company incurred advertising and promotion expenses of approximately $179,000, $143,000, and $74,000, respectively.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through March 24, 2026, which is the date the financial statements were available to be issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Contract Liabilities

The following table reflects the change in contract liabilities:

	Deferred Revenue
BALANCE, December 1, 2023	$ 267,000
Revenue recognized that was included in deferred revenue at beginning of the year	(95,586)
Increase, excluding amounts recognized as revenue during the period	275,000
BALANCE, December 31, 2023	446,414
Revenue recognized that was included in deferred revenue at beginning of the year	(78,556)
Increase, excluding amounts recognized as revenue during the period	110,326
BALANCE, December 31, 2024	478,184
Revenue recognized that was included in deferred revenue at beginning of the year	(81,304)
Increase, excluding amounts recognized as revenue during the period	161,428
BALANCE, December 31, 2025	$ 558,308

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2025:

	Amount
Deferred revenue to be recognized in	
2026	$ 146,648
2027	119,976
2028	79,345
2029	58,141
2030	42,198
Thereafter	112,000
Total	$ 558,308

Note 4 – Members' Deficit

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Members in accordance with the operating agreement. The liability of the Company's Members is limited to its specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Members in accordance with the operating agreement.

Note 5 – Related-Party Transactions

In the ordinary course of business, the Company periodically advances funds to and receives funds from the Licensor. No interest is charged on these advances which are unsecured. Management expects such balances to be settled within the next year. At December 31, 2025, 2024, and 2023, the balance due to the Licensor amounted to approximately $8,000, $8,000, and $5,000, respectively.

Note 6 – Marketing Fund

The Company reserves the right to establish a marketing fund for the Company. Franchisees would be required to contribute up to 1.5% of gross sales per month to be placed into the marketing fund in accordance with the signed franchise agreement. Marketing funds collected are to be expended for the benefit of the franchisees and for administrative costs to administer the funds, all at the discretion of the Company. As of December 31, 2025, the Company has not yet established a marketing fund.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

EXHIBIT D
TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA
Commissioner of Financial Protection and Innovation
651 Bannon Street, Suite 300
Sacramento, CA 95811
Tel: (916) 327-7585
Toll Free: (866) 275-2677
Website: https://dfpi.ca.gov
Email: Ask.DFPI@dfpi.ca.gov

CONNECTICUT
Department of Banking
Securities and Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103-1800
Tel: (860) 240-8230

FLORIDA
Tom Kenny, Regulatory Consultant
Department of Agriculture & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314
Tel: (850) 488-2221
Fax: (850) 410-3804

HAWAII
(for service of process)
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

(state agency)
Department of Commerce &
Consumer Affairs
King Kalakaua Building
335 Merchant Street, Rm 203
Honolulu, Hawaii 96813
Tel: (808)586-2722
Fax: (808) 587-7559

ILLINOIS
Franchise Bureau
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA
(for service of process)
Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

(state agency)
Securities Commissioner
Indiana Secretary of State
Securities Division, Franchise Section
302 West Washington Street,
Room E-111
Indianapolis, Indiana 46204
Tel: (317) 232-6681

IOWA
Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
Tel: (515) 281-4441
Fax: (515) 281-3059
email: iowasec@iid.state.ia.us

MARYLAND
(for service of process)
Maryland Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

(state agency)
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
Tel: (410) 576-6360

MICHIGAN
(for service of process)
Michigan Department of Consumer and Industry Services
Bureau of Commercial Services
Corporations Division
PO Box 30054
Lansing, Michigan 48909
Tel: (517) 241-6470

MICHIGAN
(state agency)
Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
670 Law Building
Lansing, MI 48913
Tel: (517) 373-7117

MINNESOTA
Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
Tel: (651) 539-1600

NEBRASKA
Gene Schenkelberg, Securities Analyst
Department of Banking & Finance
1200 N. Street, Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509
Tel: (402) 417-3445

NEW YORK
(Agent for Service of Process)
Secretary of State
99 Washington Avenue
Albany, NY 12231

(Administrator)
NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21St Floor
New York, NY 10005
Tel: (212) 416-8222

NORTH DAKOTA
(for service of process)
North Dakota Securities Commissioner
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510

(state agency)
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510
Tel: (701) 328-2910

OREGON
Director, Department of Consumer & Business Services
Division of Finance & Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
Tel: (503) 378-4140
Fax: (503) 947-7862
Email: dcbs.dfcsmail@state.or.us

RHODE ISLAND
Director
Securities Division
Department of Business Regulation,
Building 69, First Floor
John O. Pastore Center
1511 Pontiac Avenue,
Cranston, Rhode Island 02920
Tel: (401) 462 9582

SOUTH DAKOTA
Director, Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501
Tel: (605) 773-3563

(continued on next page)

TEXAS
Statutory Document Section
Secretary of State
1719 Brazos
Austin, Texas 78701
Attn: Dorothy Wilson
Tel: (512) 475-1769

UTAH
Director, Division of Consumer Protection
Utah Dept. of Commerce
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84114-6704
Tel: (801) 530-6601
Fax: (801) 530-6001

VIRGINIA
(for service of process)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

(state agency)
Director
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
Tel: (804) 371-9051

WASHINGTON
(for service of process)
Administrator
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

(state agency)
Administrator
Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
Tel: (360) 902-8760
Fax: (360) 902-0524

WISCONSIN
Commissioner of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701-1768
Tel: (608) 266-2801

EXHIBIT E
TO FRANCHISE DISCLOSURE DOCUMENT

STATE-SPECIFIC ADDENDA

ADDITIONAL STATE DISCLOSURES

If the franchise is located in or if franchisee is a resident of any of the following states, then the designated provisions in the Uniform Franchise Disclosure Document ("Disclosure Document") and Franchise Agreement will be amended as follows:

CALIFORNIA

ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

Our website, www.thebakedbear.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at https://dfpi.ca.gov

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

1. The following language is added to the end of Item 3 of the Disclosure Document:

   Neither BB Franchise, LLC, nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

   The Franchise Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

   California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in San Diego, California, with the costs being borne by the non-prevailing party. The prevailing party shall be entitled to recover reasonable compensation for expenses, costs and fees in connection with arbitration, including reasonable attorney's fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. **THE REGISTRATION OF THIS FRANCHISE OFFERING BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER**.

5. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

6. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

HAWAII

ADDENDUM TO DISCLOSURE DOCUMENT

These franchises will be/ have been filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation or endorsement by the Director of Commerce and Consumer Affairs or a finding by the Director of Commerce and Consumer Affairs that the information provided herein is true, complete, and not misleading.

The Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least seven days prior to the payment of any consideration by the franchisee, or subfranchisor, whichever occurs first, a copy of the Disclosure Document, together with an copy of all proposed agreements relating to the sale of the franchise.

This Disclosure Document contains a summary only of certain material provisions of the franchise agreement. The contract or agreement should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

The following language is added to the end of Item 5 of the Disclosure Document:

"Despite the provisions in this Item 5, the State of Hawaii has required us to defer the receipt of initial franchise fees until we have met all of our pre-opening obligations and you have opened your franchise business."

HAWAII

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

Section 5.1, Initial Franchise Fee, shall be supplemented by the following additional language:

> "Despite the payment provisions noted in this Section 5.1, the State of Hawaii has required Franchisor to defer the receipt of initial franchise fees until Franchisor has met all of its pre-opening obligations and Franchisee has opened its franchise business."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

ILLINOIS

ADDENDUM TO DISCLOSURE DOCUMENT

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Payment of Initial Fees will be deferred until Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to Franchisor's financial status.

ILLINOIS

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Franchise Agreement ("**Agreement**") agree as follows:

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Payment of Initial Fees will be deferred until Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to Franchisor's financial status.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

ILLINOIS

AMENDMENT TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement is specifically amended as follows:

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Area Development Agreement (the "**Agreement**") agree as follows:

Illinois law governs the Area Development Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Payment of Initial Fees will be deferred until Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to Franchisor's financial status.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

MARYLAND

ADDENDUM TO DISCLOSURE DOCUMENT

1. The "**Summary**" section of Item 17(c) entitled **Requirements for you to renew or extend**, and the "Summary" section of Item 17(m) entitled **Conditions for our approval of transfer**, is amended by adding the following:

> Any general release you sign shall not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law.

2. The "**Summary**" section of Item 17(h) entitled **"Cause" defined (defaults which cannot be cured)**, is amended by adding the following:

> The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following are added to the end of the chart in Item 17:

> Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.
>
> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Despite the payment provisions noted in Item 5, all initial fees and payments shall be deferred until such time as Franchisor completes its initial obligations under the Franchise Agreement. In addition, all development fees and initial payments by Area Developers shall be deferred until the first franchise under the Area Development Agreement opens.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

Any provision requiring Franchisee to execute a general release of any and all claims against Franchisor shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

Termination upon bankruptcy of the Franchisee might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce it to the extent enforceable.

Sections 16.3 shall be supplemented by the following additional language:

> PROVIDED, HOWEVER, THAT THIS LIMITATION OF CLAIMS SHALL NOT ACT TO REDUCE THE THREE (3) YEAR STATUTE OF LIMITATIONS AFFORDED FRANCHISEE FOR BRINGING A CLAIM UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Any provision of this Franchise Agreement which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 5.1, Initial Franchise Fee, shall be supplemented by the following additional language:

Despite the payment provisions noted in this Section 5.1, all initial fees and payments shall be deferred until such time as Franchisor completes its initial obligations under the Franchise Agreement.

Sections 18.2, 18.3, 18.4, 18.5, 18.6, and 18.7, under the heading "Acknowledgments," are deleted in their entirety.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

MARYLAND

AMENDMENT TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement is specifically amended as follows:

Section III, Development Fee, of the Area Development Agreement is amended as follows:

Despite the payment provisions noted in this Section III, all initial fees and payments shall be deferred until such time as Franchisor completes its initial obligations under the Area Development Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the Area Development Agreement opens.

Section XXII, Acknowledgments, is deleted in its entirety.

The following provision is added:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

MICHIGAN

ADDENDUM TO DISCLOSURE DOCUMENT

The following disclosures are required by the State of Michigan:

1. THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents related to a franchise:

A. A prohibition on the right of a franchisee to join an association of franchisees.

B. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

C. A provision that permits a franchisor to terminate a franchise prior to the expiration of this term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

D. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

E. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

F. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

G. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

1) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

H. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (C).

I. A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless a provision has been made for providing the required contractual services.

2. If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00 the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

3. THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be direct to:

State of Michigan
Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, MI 48933
(517) 373-1160

Note: Despite paragraph F above, we intend to enforce fully the provisions of the arbitration section contained in the Franchise Agreement. We believe that paragraph F is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce this section as well.

MINNESOTA

ADDENDUM TO DISCLOSURE DOCUMENT

In accordance with the requirements of the state of Minnesota the following disclosure should be read in conjunction with the Disclosure Document. Any inconsistency with the information contained in the Disclosure Document will be resolved in favor of this Minnesota Addendum.

1. Item 13 **Trademarks** is amended by adding the following:

   As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any of your costs incurred in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and are given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17 **Renewal, Termination, Transfer and Dispute Resolution** is amended by adding the following:

   A. **Renewal and Termination**
   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

   B. **Choice of Forum and Choice of Law**
   Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

   C. **Releases**
   A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

These franchises have been registered under the Minnesota Franchise Act, registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete, and not misleading.

The Minnesota Franchise Act makes it unlawful to offer or sell any franchise in this state which is subject to registration without first providing to the franchisee, at least 7 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 7 days prior to the payment of any consideration, by the franchisee, whichever occurs first, a copy of this Disclosure Document, together with a copy of all proposed agreements relating to the franchise. This Disclosure Document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the franchisor and the franchisee.

MINNESOTA

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement ("Agreement") agree as follows:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

As required by Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes 1984, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

To the extent governed by Minn. Rule 2860.4400J, Franchisee shall not be deemed to have waived any rights under Minnesota law. Franchisee shall not be deemed to have consented to Franchisor obtaining injunctive relief, although Franchisor may seek injunctive relief. A court or the arbitrators shall determine whether to require a bond as a condition of injunctive relief.

Pursuant to Minnesota Statutes, Section 80C.17, Subd. 5., Section 16.3, Limitation of Actions, shall be supplemented by the following additional language: "Provided, however, no action may be commenced more than three years after the cause of action accrues."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

NEW YORK

ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. The following paragraphs are added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK, 10271-0332.

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action

brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither we nor any of our affiliates, predecessors, officers, or general partners have, during the 10-year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of ours held this position in such company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Items 17(d), titled "**Termination by franchisee"**:

You may terminate the agreement on any grounds available by law.

7. The following language is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following language is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**," and Item 17(w), titled "**Choice of law"**:

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. Franchise Questionnaires and Acknowledgements. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other

person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

10. Receipts. Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

ADDENDUM TO DISCLOSURE DOCUMENT

1. The following language is added to the "Summary" section of Item 17(c) entitled **Requirements for you to renew or extend** and Item 17(m) entitled **Conditions for our approval of a transfer**:

The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The applicable portion of the "Summary" section of Item 17(i) entitled **Your obligations on termination/non-renewal** is amended to read as follows:

If we prevail in any enforcement action, you will pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement.

Any requirement that Franchisee consent to termination penalties or liquidated damages may not be enforceable under North Dakota law.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

3. The following is added to the "Summary" section of Item 17(u) entitled **Dispute resolution by arbitration or mediation**:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

4. The following is added to the "Summary" section of Item 17(r) entitled **Non-competition covenants after the franchise is terminated or expires**:

Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

5. The following is added to the "Summary" section of Item 17(v) entitled **Choice of forum**:

However, to the extent allowed by the North Dakota Franchise Investment Law, you may commence any cause of action against us in any court of competent jurisdiction, including the state or federal courts of North Dakota.

6. The following is added to the "Summary" section of Item 17(w) entitled Choice of Law:

To the extent California law conflicts with North Dakota law, North Dakota law will control.

NORTH DAKOTA

AMENDMENT TO FRANCHISE AGREEMENT

1. The following is added to Section 3.2, **"RENEWAL"** and Section 14 "**TRANSFER OF INTEREST**":

   The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The following is added to Section 17.6, "**CHOICE OF FORUM**":

   However, to the extent allowed by the North Dakota Franchise investment Law, Franchisee may commence any cause of action against Franchisor in any court of competent jurisdiction, including the state or federal courts of North Dakota.

3. The following is added to Section 16.1, "**MANDATORY BINDING ARBITRATION"**

   To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Franchisor and Franchisee mutually agree.

4. Section 18, "**ACKNOWLEDGMENTS**" is amended by the addition of the following language to the original language that appears therein to read as follows:

   Franchisee acknowledges that Franchisee received a copy of this Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

5. Section 13.1 (regarding post-term restrictions) is amended by the addition of the following language to the original language that appears therein:

   Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

6. In Sections 15.6 and 15.7, any requirement that Franchisee consent to termination penalties or liquidated damages may not be enforceable under North Dakota law.

7. The following language is added at the end of Section 17.5, "**GOVERNING LAW**":

   To the extent California law conflicts with North Dakota law, North Dakota law will control.

8. The following is added to Section 16.5, "**JURY TRIAL WAIVER**":

   The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

9. The following is added to Section 16, "**RESOLUTION OF DISPUTES**":

   The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

NORTH DAKOTA

AMENDMENT TO AREA DEVELOPMENT AGREEMENT

1. In Section VIII, any requirement that Franchisee consent to termination penalties or liquidated damages may not be enforceable under North Dakota law.

2. Section X (regarding covenants not to compete) is amended by the addition of the following language to the original language that appears therein:

Covenants not to compete such as those mentioned in this Section X are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

3. The following is added to Section XIX (a), "**MANDATORY BINDING ARBITRATION"**

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Franchisor and Franchisee mutually agree.

4. The following is added to Section XIX(b), "**VENUE**":

However, to the extent allowed by the North Dakota Franchise Investment Law, Franchisee may commence any cause of action against Franchisor in any court of competent jurisdiction, including the state or federal courts of North Dakota.

5. The following language is added at the end of Section XIX(g), "**CHOICE OF LAWS**":

To the extent California law conflicts with North Dakota law, North Dakota law will control.

6. The following is added to Section XIX(c), "**WAIVER OF TRIAL BY JURY":**

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

7. The following is added to Section XIX(d) **"LIMITATIONS ON CLAIMS"**:

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

RHODE ISLAND

ADDENDUM TO DISCLOSURE DOCUMENT

The following language is added to Item 17(v) entitled **Choice of forum**:

, except as otherwise required by the Rhode Island Franchise Investment Act

RHODE ISLAND

AMENDMENT TO FRANCHISE AGREEMENT

In recognition of the requirements of the Rhode Island Franchise Investment Act (Section 19-28.1-14), the parties to the attached Franchise Agreement agree as follows:

Section 17.6, "**CHOICE OF FORUM"** is amended by adding the following:

> §19-24.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

SOUTH DAKOTA

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

The following provisions shall apply and supersede any provision in the Franchise Agreement to the contrary:

1. Franchise registration, employment, covenants not to compete and other matters of local concern will be governed by the laws of the State of South Dakota. As to contractual and all other matters, the Franchise Agreement will be and remain subject to the construction, enforcement and interpretation of the laws of the State specified in Article 16 of this Agreement. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of South Dakota, is deleted from any Franchise Agreement issued in the State of South Dakota.

2. Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, or consequential damages or any provision that provides that parties waive their right to a jury trial may not be enforceable under South Dakota law.

3. No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of South Dakota.

4. Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make Royalty payments contained in the Franchise Agreement shall afford you thirty (30) days written notice with an opportunity to cure the default before termination.

5. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement, schedules or attachments thereto, or the Disclosure Document, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

VIRGINIA

ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for BB FRANCHISE, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. The following statement is added to Item 17.h:

> "Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

2. The following language is added to Item 5: Initial Fees, as the last paragraph under the subheading Franchise Agreement, and as the last paragraph under the subheading Area Development Agreement.

> The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

3. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

The following language is added as the last paragraph in Section 5.1, Initial Franchise Fee, of the Franchise Agreement:

> The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

VIRGINIA

AMENDMENT TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement is specifically amended as follows:

The following language is added at the end of Sections III.(a) and III.(b) of the Area Development Agreement:

> The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

WASHINGTON

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws**. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights**. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation**. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release**. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial**. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees**. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee**. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions**. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the

franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing**. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages**. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement**. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification**. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees**. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants**. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements**. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments**. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators**. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers**. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. **Liquidated Damages**. Liquidated damages in the amount of $10,000 for compromising the secure access to the Manual, as disclosed in Item 6 and Item 11 of the Disclosure Document, will not be charged to franchisees located in the State of Washington.

20. **Deferral of Payment of Initial Fees**. As a condition of registration, the Department of Financial Institutions of the State of Washington has imposed a deferral of Franchisee's payment of all initial fees until Franchisor has provided all of its pre-opening obligations under the Franchise Agreement and Franchisee is open for business. The Development Fee under an Area Development Agreement will be collected proportionally with respect to each franchised business after each is opened, rather than collected in full after you open your first franchised business.

The undersigned parties do hereby acknowledge receipt of this Addendum. Dated this ___ day of _____ 20___.

BB FRANCHISE, LLC	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____
Date:_____	Date: _____

EXHIBIT F
TO FRANCHISE DISCLOSURE DOCUMENT

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THE BAKED BEAR OPERATIONS MANUAL

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EXHIBIT G
TO FRANCHISE DISCLOSURE DOCUMENT

FORM OF GENERAL RELEASE

GENERAL RELEASE

(FRANCHISEE") and **_____, an individual** ("**GUARANTOR**") enter into this General Release on **_____**, with reference to the following facts:

1. On **_____, BB Franchise, LLC,** a California limited liability company, ("**FRANCHISOR**") and FRANCHISEE entered into a Franchise Agreement (the "**Franchise Agreement**") to operate a The Baked Bear Franchised Business located at **_____** (the "**Premises**"). GUARANTOR guaranteed FRANCHISEE's performance under the Franchise Agreement pursuant to a Guarantee and Assumption of Obligations (the "**Guarantee**"). In consideration of FRANCHISOR'S processing and approval of _____, the Franchise Agreement provides that FRANCHISEE must sign this General Release as a condition to such _____. All capitalized terms not otherwise defined in this General Release shall have the same meaning as in the Franchise Agreement and/or the Guarantee.

2. For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, FRANCHISEE and GUARANTOR hereby release and forever discharge FRANCHISOR, its current and former parents and subsidiaries and the past and present directors, officers, employees, attorneys and agents of said corporations, and each of them, from any and all claims, obligations, liabilities, demands, costs, expenses, damages, actions and causes of action, of whatever nature, character or description, known or unknown (collectively "**Damages**"), which arose on or before the date of this General Release, including any Damages with respect to the Franchise Agreement, the Franchised Business, the Premises, and the Guarantee. FRANCHISEE waives any right or benefit which FRANCHISEE or GUARANTOR may have under Section 1542 of the California Civil Code or any equivalent law or statute of any other state. Section 1542 of the California Civil Code reads as follows:

> "A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

3. This General Release sets forth the entire agreement and understanding of the parties regarding the subject matter of this General Release and any agreement, representation or understanding, express or implied, heretofore made by any party or exchanged between the parties are hereby waived and canceled.

4. This Agreement shall be binding upon each of the parties to this General Release and their respective heirs, executors, administrators, personal representatives, successors and assigns.

[Signatures on Following Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year set forth above.

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

GUARANTOR:

By: _____**, an individual**

Print Name: _____

EXHIBIT H
TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF CURRENT FRANCHISEES AND THEIR OUTLETS

LIST OF FRANCHISEES AND THEIR OUTLETS AT OUR FISCAL YEAR END (DECEMBER 31, 2025)

FRANCHISEE	CONTACT	STREET ADDRESS	CITY	STATE	ZIP	PHONE
Blue Waves, LLC	Anthony Galardi	1800 McFarland Blvd E., Suite 207	Tuscaloosa	AL	35404	(205) 764-0016
More Cowbell, LLC	Will Babin	587 South Coast Hwy 101	Encinitas	CA	92024	(760) 704-8140
Hermosa Osa, LLC	Shane Stanger	49 A Pier Ave.	Hermosa Beach	CA	90254	(310) 372-6722
MKD Enterprises, Inc	Kunwardip Mooker	11640 Carmel Mountain Rd., Suite 120	San Diego	CA	92128	(858) 451-2253
Baked Bear I, LLC	Joseph Halloum	2824 Jones Street	San Francisco	CA	94133	(415) 993-2327
Baked Bear I, LLC	Joseph Halloum	303 Columbus Ave.	San Francisco	CA	94133	(415) 993-2327
ACEA Holdings, LLC	Henry Halloum	680 Terry A Francois Blvd	San Francisco	CA	94158	(209) 200-3932
H & H Ohana Corporation	Rebekah and Don Havard	4118 Lake Tahoe Blvd., #5	South Lake Tahoe	CA	96150	(530) 600-0129
Goal Gurus, LLC	Jeremy Dover	1780 Pointe Blvd.	Dania Pointe	FL	33004	(945) 214-9156
Ruby Cubed, LLC	Melanie Bell	909 Washington Ave	Miami	FL	33139	(305) 397-8737
Ruby Cubed Two, LLC	Melanie Bell	59 NW 24th St.	Miami	FL	33127	(703) 899-3982
ARG Delights, LLC	Angela German	2604 Sawgrass Mills Cir., #1125	Sunrise	FL	33323	(954) 686-2909
Dessert Eats, LLC	William Chen	440 Ernest Barrett Pkwy, #32	Kennesaw	GA	30133	(678) 362-3383
Dash Desserts, LLC	Grant Wilson	319 W Broughton St	Savannah	GA	31401	(512) 496-1907
Three Rubies Trifecta Inc.	Melanie Bell	929 Rose Ave., #404	North Bethesda	MD	20852	(301) 348-5070
T & E Hess 2, LLC	Tyler Hess	614 Cookman Ave.	Asbury Park	NJ	07712	(484) 866-0794
T & E Hess, LLC	Tyler Hess	15 Morris Ave., Unit 115	Long Branch	NJ	07740	(732) 903-8940
SSK SHUBH, LLC	Preeti Bajaj	72 Easton Ave	New Brunswick	NJ	08901	(732) 626-5006
TD Scope, LLC	Tyler Hess	18 Elm St.	Westfield	NJ	07090	(609) 228-0070
The Hip, LLC	Veronica Ingram	1224 West Danforth Rd.	Edmond	OK	73003	(405) 216-3392

FRANCHISEE	CONTACT	STREET ADDRESS	CITY	STATE	ZIP	PHONE
The Hip, LLC	Veronica Ingram	5906 SE 15th St.	Midwest City	OK	73110	(405) 931-2404
The Hip, LLC	James Howard	731 Asp Ave., Suite B	Norman	OK	73069	(405) 701-3773
The Hip, LLC	Veronica Ingram	2121 S. Yukon Pkwy, Suite 175	Yukon	OK	73099	(405) 265-4959
Elf Ventures, LLC	Toliver Parks	631 Harden St., Suite C	Columbia	SC	29205	(803) 834-4004
SMG Ventures, LLC	Michael Giamoni	1210 Celebrity Circle	Myrtle Beach	SC	29577	(919) 630-3619
Blue Waves LLS	Anthony Galardi	1809 Division St.	Nashville	TN	37203	(615) 730-6991
Auron Holdings, LLC	Tito Manzur	211 Walter Seaholm Dr., #150	Austin	TX	78701	(512) 300-0167
KRMK Management, LLC	Kenny Alford	109 E. 7th St.	Georgetown	TX	78626	(512) 591-8345
McAllen Food Explorers, LLC	Kenny Alford	7913 N. 10th. St., #110	McAllen	TX	78504	(956) 627-0914
McAllen BB Mall, LLC	Kenny Alford	2200 S 10th St., Suite Q01G	McAllen	TX	78503	(956) 762-6630
Alford Delacruz Flores Diversified, LLC	Kenny Alford	2800 Padre Blvd	South Padre	TX	78597	(210) 514-3045
Kablow LLC	Shaila Kabani	5752 Grandscape Blvd., Suite 110	The Colony	TX	75056	(469) 200-0635
Bon Bon Treats, LLC	Jim Wang	18205 Egret Bay Blvd	Webster	TX	77058	(281) 532-6934

FRANCHISE AGREEMENTS SIGNED, BUT OUTLETS NOT OPENED IN OUR FISCAL YEAR 2025

FRANCHISEE	CONTACT	STREET ADDRESS	CITY	STATE	ZIP	PHONE
Blue Waves 3, LLC	Anthony Galardi	9380 W. Westgate	Glendale	AZ	85305	(615) 730-6991
Shake-N-Bake, LLC	Will Babin	1332 S Harbor Blvd.	San Pedro	CA	90731	(858) 692-7761
Kzal, LLC	Katie Lowe	To be determined.	Orlando	FL		(314) 250-4849
JB Scoops LLC	Bruce Baldwin	To be determined.	Pensacola	FL		(804) 305-6756
Happy Stacks, LLC	Anya Khovtova	To be determined	West Palm Beach	FL		(703)986-9584
Jemma, LLC	Michael Yutzy	6605 S Las Vegas Blvd	Las Vegas	NV	89119	702-971-4344
Soterra, LLC	Preeti Bajaj	41 Witherspoon Street	Princeton	NJ	08540	(732) 485-5635

FRANCHISEE	CONTACT	STREET ADDRESS	CITY	STATE	ZIP	PHONE
Treat Time, Inc.	Shaila Kabani	To be determined.	Dallas	TX		(817) 881-9398
Old Fashioned Cookies LLC	Rohit Paruchuri	Linton Hall Rd	Gainesville	VA	20155	(978)764-6904

EXHIBIT I
TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT

LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT

Following is the name and contact information of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

FRANCHISEES WHO CEASED TO DO BUSINESS IN OUR FISCAL YEAR 2025

FRANCHISEE	CONTACT	CITY	STATE	PHONE NUMBER
EVM Group, LLC	Emmanuel Gomez	El Paso	TX	(915) 726-3833

FRANCHISEES WHO TRANSFERRED AN OUTLET IN OUR FISCAL YEAR 2025

FRANCHISEE	CONTACT	CITY	STATE	PHONE NUMBER
Allynn 2 Inc.	Lynn Wanket	Hermosa Beach	CA	(760) 801-6285

OUTLET NEVER OPENED

FRANCHISEE	CONTACT	CITY	STATE	PHONE NUMBER
Auron Holdings LLC	Tito Manzur	Boulder	CO	(409) 443-6771

If you buy the franchise offered in this Disclosure Document, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT J
TO FRANCHISE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Documents 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	
Illinois	
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.

EXHIBIT K
TO FRANCHISE DISCLOSURE DOCUMENT

RECEIPT

ITEM 23 RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If BB Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Oklahoma require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement, or other agreement, or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement, or other agreement, or the payment of any consideration, whichever comes first.

If BB Franchise, 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 and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit D.

The franchisor is BB Franchise, LLC, located at 4516 Mission Blvd., Suite C, San Diego, California 92109. The names, principal business addresses and telephone numbers of each Franchise Seller offering the Franchise are: Robert Robbins at 4516 Mission Blvd., Suite C, San Diego, California 92109 / (858) 354-5819.

Issuance Date: March 25, 2026. BB Franchise, LLC authorizes the agents listed in Exhibit D to receive service of process for it.

I have received a Disclosure Document dated March 25, 2026. This Disclosure Document included the following Exhibits:

EXHIBIT A	FRANCHISE AGREEMENT
EXHIBIT B	AREA DEVELOPMENT AGREEMENT
EXHIBIT C	FINANCIAL STATEMENTS
EXHIBIT D	LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
EXHIBIT E	STATE-SPECIFIC ADDENDA
EXHIBIT F	TABLE OF CONTENTS OF THE OPERATIONS MANUAL
EXHIBIT G	FORM OF GENERAL RELEASE
EXHIBIT H	LIST OF FRANCHISEES AND THEIR OUTLETS
EXHIBIT I	LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT
EXHIBIT J	STATE EFFECTIVE DATES
EXHIBIT K	RECEIPTS

_____ _____

(Print Name) (Signature)

_____

Date

Keep this copy for your records.

ITEM 23 RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If BB Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Oklahoma require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement, or other agreement, or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement, or other agreement, or the payment of any consideration, whichever comes first.

If BB Franchise, 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 and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit D.

The franchisor is BB Franchise, LLC, located at 4516 Mission Blvd., Suite C, San Diego, California 92109. The names, principal business addresses and telephone numbers of each Franchise Seller offering the Franchise are: Robert Robbins at 4516 Mission Blvd., Suite C, San Diego, California 92109 / (858) 354-5819.

Issuance Date: March 25, 2026. BB Franchise, LLC authorizes the agents listed in Exhibit D to receive service of process for it.

I have received a Disclosure Document dated March 25, 2026. This Disclosure Document included the following Exhibits:

EXHIBIT A	FRANCHISE AGREEMENT
EXHIBIT B	AREA DEVELOPMENT AGREEMENT
EXHIBIT C	FINANCIAL STATEMENTS
EXHIBIT D	LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
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EXHIBIT J	STATE EFFECTIVE DATES
EXHIBIT K	RECEIPTS

_____ _____

(Print Name) (Signature)

_____

Date

Please sign this copy of the receipt, date your signature, and return it to: Robert Robbins, at BB Franchise, LLC, 4516 Mission Blvd., Suite C, San Diego, California 92109/ (858) 354-5819*/ rob@thebakedbear.com*