

## FRANCHISE DISCLOSURE DOCUMENT



The Original Pancake House Franchising, Inc.  
8601 S.W. 24th Avenue, Portland, Oregon 97219  
503-246-1049  
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www.originalpancakehouse.com

The franchise offered is to operate a The Original Pancake House® restaurant specializing in pancakes, waffles, omelets and similar food products.

The total investment necessary to begin operation of a The Original Pancake House® restaurant franchise is \$482,500 to \$1,666,250. This includes \$60,312 to \$60,625 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin operation of 2 to 10 The Original Pancake House® restaurant franchises is \$542,500 to \$2,206,250. This includes \$120,312 to \$600,625 that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental 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 The Original Pancake House Franchising, Inc. at 8601 S.W. 24th Avenue, Portland, Oregon 97219, 503-246-1049.

The terms of your contract will govern your franchise relationship. Do not 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 an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “Buying a Franchise, A Consumer’s Guide”, 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, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://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.

Issued: April 3, 2025

## 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
<b>How much can I earn?</b>	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 Exhibit I.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only The Original Pancake House business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a The Original Pancake House franchisee?</b>	Item 20 or Exhibit I lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 requires you to resolve disputes with the franchisor by arbitration and/or litigation only in the state of Oregon. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Oregon than in your own state.

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 FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED  
BY THE MICHIGAN FRANCHISE INVESTMENT LAW**

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.

- (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 this 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 its 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. This 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:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) 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 provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, 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.

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 directed to:

State of Michigan Consumer Protection Division  
Attn: Franchise Section  
670 G. Mennen Williams Building  
525 West Ottawa, Lansing, Michigan 48933  
(517) 373-7567

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## Item 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language, this disclosure document uses “we” or “us” or “OPHF” to mean The Original Pancake House Franchising, Inc., the franchisor. “You” refers to the individual, corporation, or other entity that signs a The Original Pancake House Franchise Agreement (the “Franchise Agreement,” the current form of which is attached to this disclosure document as Exhibit A). If you are a corporation, limited liability company or other entity, your owners must sign the Owner’s Guaranty and Assumption of Franchisee’s Obligations attached to the Franchise Agreement, which means that all provisions of the Franchise Agreement also will apply to your owners.

#### **Franchisor, Parent, and Affiliates**

We conduct business under the name The Original Pancake House. Our principal address is 8601 S.W. 24th Avenue, Portland, Oregon 97219. We are an Oregon corporation that was incorporated on February 26, 1991. We have no parent. We do not conduct business under any other name. We are affiliated with The Original Pancake House Restaurant, Inc. (“OPHRI”), which has never offered franchises, but which operates a The Original Pancake House® Restaurant at the same principal address as us. We do not have any predecessors disclosable in this Item.

#### **Agents for Service of Process**

If we have an agent in your state for service of process, we disclose that agent in Exhibit D.

#### **Prior Experience**

We have been franchising The Original Pancake House® restaurants (“The Original Pancake House® Restaurant” or a “Restaurant”) since our formation. We grant franchises to own and operate a The Original Pancake House® Restaurant at a specific location, specializing in pancakes, waffles, omelets and similar food products and related services for consumer consumption on the Restaurant premises and for take out. If you qualify, we might grant you the right to develop and operate a number of The Original Pancake House® Restaurants within a specific area under our option agreement (the “Option Agreement,” the current form of which is attached to this disclosure document as Exhibit B). We will offer these rights only to certain qualified candidates who already have signed, or who simultaneously will sign, 2 or more Franchise Agreements with us at the same time as signing the Option Agreement and only in certain areas of the country. Before you sign the Option Agreement, we and you will agree to the specific option area, the number of additional Franchise Agreements that you will sign, and the timeframe within which you will sign them.

We do not currently operate a business of the type to be franchised, and have never conducted a business of the type to be operated by the franchisee, but as we mentioned above, our affiliate, OPHRI operates a The Original Pancake House® Restaurant at the same principal address as us. We, OPHRI, and our owners have been involved in this business for over 70 years and have not offered franchises in any other line of business nor engaged in any other business activities.

## **The Franchise Opportunity**

A Restaurant offers a variety of food products and services for sale to the general public for consumption on the Restaurant's premises and for takeout. You, which includes the owners, partners, members, etc. in situations where the franchise is a business entity, will have to compete with other full-service and carry-out pancake, waffle, omelet and breakfast restaurants, some of which are national or regional chains. You also will have to compete with other restaurants, diners and fast food outlets offering similar types of food products in this broadly developed market.

## **Applicable Regulations**

The restaurant industry is governed by health laws and regulations concerning the preparation, storage and service of food products. You should investigate the matter further.

### Item 2

#### **BUSINESS EXPERIENCE**

##### Elizabeth K. Highet – President and Director

Ms. Highet has been our President and Director since April 2020. Ms. Highet has also been our Business Manager, Secretary and Treasurer since September 1994.

##### Jonathan W. Liss – Counsel and Consultant

Mr. Liss has been our Counsel and Consultant since February 2017. From September 1997 to February 2017, Mr. Liss served as our General Counsel and corporate chef.

### Item 3

#### **LITIGATION**

During the 2024 fiscal year, we brought claims against franchisees as follows:

##### **Suit to Collect Royalty Payments and Enforce Reporting Requirements**

*The Original Pancake House Franchising, Inc. v. Top H Enterprises, LLC, Forever Holdings, LLC, and Taylor McEver*, Case No. 24CV05538 (Circuit Court for the State of Oregon for the County of Multnomah).

##### **Suit to Enforce a Default Judgment Obtained in the Matter Disclosed Above:**

*The Original Pancake House Franchising, Inc. v. Top H Enterprises, LLC, Forever Holdings, LLC, and Taylor McEver*, Case No. 24GC07047 (Superior Court for the State of Georgia for the County of Cobb).

Other than as described above, no litigation is required to be disclosed in this Item.

Item 4

**BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

Item 5

**INITIAL FEES**

You will pay us an initial franchise fee of \$60,000 in a lump sum when you sign the Franchise Agreement. This initial franchise fee is uniform and not refundable under any circumstances.

If you sign an Option Agreement with us to develop additional The Original Pancake House® restaurants in a designated area, we will not charge you an additional development fee, but we may require you to sign multiple Franchise Agreements (one for each The Original Pancake House® restaurant to be developed under the Option Agreement) at the same time that you sign the Option Agreement, in which case, you will pay to us \$60,000 as the initial franchise fee under each Franchise Agreement you sign at the time you sign the Option Agreement. We expect the Option Agreement to cover between 2 and 10 The Original Pancake House® restaurants. These fees are not refundable under any circumstances.

Franchisees who signed a Franchise Agreement with us during 2024 paid to us an initial fee (as described in this Item 5) of \$60,000 for each Franchise Agreement signed.

Before you open your Restaurant for business, you must also purchase from us your initial inventory of stabilizer base that we require you to use in the preparation of pancakes and similar menu items (the "Stabilizer Base"). Currently, this Stabilizer Base costs \$62.47 per 50 lbs., plus actual shipping costs. We estimate that you will purchase from us approximately \$312 to \$625 in initial inventory of Stabilizer Base. These fees are not refundable under any circumstances.

Item 6

**OTHER FEES**

<b>Type</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty <sup>1/</sup>	2% of total gross sales	Payable monthly on the 10th day of the next month	Gross sales means all revenue from the franchise location, but excludes sales tax and use tax
Stabilizer base <sup>1/</sup>	Currently, \$62.47 for 50 lbs. plus actual shipping costs	30 days after billing	Necessary ingredient for operation, price will increase over time

Type	Amount	Due Date	Remarks
Operating assistance <sup>1/</sup>	See note 2	30 days after billing	Applies to extraordinary assistance, need due to your failure to follow system standards, or at your request
Advertising fee <sup>1/</sup>	Up to 1% of total gross sales	Same as Royalty fee	We do not currently charge an advertising fee. (See Item 11)
Transfer Fee <sup>1/</sup>	\$2,500	Prior to or at time of approval	Applies to transfers of a controlling interest
Additional training at our designated facility <sup>1/</sup>	No current fee/any fee must be reasonable	30 days after billing	Applies to new managers or refresher training - no such charges currently imposed
Testing fee <sup>1/</sup>	Our actual costs	30 days after billing	Applies to franchisee request to change regulated products, no such charges currently imposed
Manuals <sup>1/</sup>	Our actual costs	30 days after billing	Applies to replacement of lost, damaged or destroyed manuals, no such charges currently imposed
Relocation fee <sup>1/</sup>	Our actual costs	Prior to or at time of approval	Applies if you are allowed to relocate the Restaurant
Audits <sup>1/</sup>	Our actual costs	30 days after billing	Applies only if audit shows an understatement of at least 2% of gross sales for any month
Penalty on late Payments <sup>1/</sup>	5% of late payment	NA	Applies to all payments 60 days or more overdue
Interest on late Payments <sup>1/</sup>	Lesser of legal limit or 1.5% per month	NA	Applies to all overdue payments to us as of the date of the underpayment. Interest on late payments begins to accrue on the day after the payment is due.
Indemnification <sup>1/</sup>	Our actual costs	As incurred by us	Applies to actions against us because of your Restaurant operation
Costs and Attorney Fees <sup>1/</sup>	Our actual costs and fees	NA	Payable if we need to enforce payment provisions against you
Liquidated Damages <sup>1/</sup>	5% of gross receipts	NA	Applies only if you compete wrongfully

1/ All fees are imposed and collected by, and payable to, us. These fees are imposed uniformly on all franchisees, except that there are some franchisees whose older agreements do not require payment of one or more of the following: advertising fees, attorney fees, interest on late payments, and part or all of the transfer fee. All fees are non-refundable, except unused advertising fees, though no advertising fees are currently being collected. There currently are no advertising cooperatives in The Original Pancake House® restaurant network.

2/ Currently, charges for operational assistance, in addition to the actual cost of transportation, lodging, and food, are approximately \$25/hour and \$37.50/hour for overtime, plus a daily charge of \$150, for a chef/manager, and \$10.00/hour and \$15/hour for overtime, plus a daily charge of \$250, for a server. These charges will increase over time.

### Item 7

#### ESTIMATED INITIAL INVESTMENT

#### **YOUR ESTIMATED INITIAL INVESTMENT**

#### **Franchise Agreement**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial franchise fee (Note 1)	\$60,000	Lump sum	At signing of Franchise Agreement	Us
Travel and living expenses while training (Note 2)	\$7,000 to \$25,000	As incurred	During training	Airlines, hotels, motels, restaurants
Real estate and improvements (Note 3)	\$110,000 to \$700,000	Lump sum	Prior to opening	Contractors, suppliers and lessor
Furniture, fixtures and equipment (Note 4)	\$190,500 to \$500,000	As incurred	Prior to opening	Suppliers
Décor (Note 4)	\$15,000 to \$80,500	As incurred	Prior to opening	Suppliers
Signs	\$8,000 to \$30,250	As incurred	Prior to opening	Suppliers
Opening inventory, smallwares and supplies (Note 5)	\$19,500 to \$45,500	As incurred	Prior to opening	Us and suppliers

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Miscellaneous opening expenses (Note 6)	\$20,000 to \$100,000	As incurred	Prior to opening	Third parties
Additional funds-6 months (Note 7)	\$52,500 to \$125,000	As incurred	As incurred	Third parties
Total (Note 8)	\$482,500 to \$1,666,250			

### **Option Agreement**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial franchise fee(s) for additional Franchise Agreement(s) (Note 9)	\$60,000 to \$540,000	Lump sum	At signing of Option Agreement	Us
Estimated initial investment for first Restaurant	\$482,500 to \$1,666,250	As incurred	As incurred	Us and third parties
Total (Note 8)	\$542,500 to \$2,206,250			

#### **Notes:**

- (1) We do not offer you financing, directly or indirectly, for any part of the fee, or your initial investment. You may not use your franchise or any assets of the Restaurant to secure a loan, without our prior written approval.
- (2) We offer training for up to 4 people, including you. Your cost will vary depending upon how many individuals you have trained, and the salary you may pay them during training, and their travel, hotel/motel and food costs.
- (3) Typically, a Restaurant will be approximately 3,500 to 4,500 square feet, with 110-130 seats. Costs will vary significantly depending on whether you are building your own premises, or are leasing, whether there is an existing restaurant facility to be converted to a Restaurant, or a non-restaurant facility requiring conversion, the property owner/landlord participation in build-out of the premises, the extent of conversion required, and your choices on the extent of the build-out. The difference between the low and high range of real estate and improvement costs is also attributable to various factors including size, configuration and condition of the premises,

construction, labor and installation costs, geographic location, price differences between various suppliers and contractors and shipping distance from suppliers. This range includes pre-opening rent obligations. If you lease the premises, monthly rent is estimated to be between \$6,250 and \$15,000. The difference between the low and high rent range is attributable to various factors including size, condition and location of the premises, and the demand for the site and premises among prospective lessees.

We do not estimate the cost of your buying land and/or constructing your own building for the Restaurant. The land would have to be situated on a well traveled thoroughfare, and be of sufficient size to have not less than 50 parking spaces, and a structure of approximately 3,500 to 4,500 square feet.

(4) The difference between the low and high range is attributable to various factor including size, configuration and condition of the premises, installation costs, geographic location, quality of furniture, fixtures and equipment you select, price differences between various suppliers and shipping distances from suppliers, and style of decor chosen.

(5) This range includes the amount you will pay to us for your initial inventory of Stabilizer Base. The difference between the low and high range is attributable to the size of the Restaurant and price differences between various suppliers and shipping distances from suppliers.

(6) These expenses include business licenses, permits, architecture fees, lease security deposits, office supplies, utility hookups, estimated payroll costs before opening, which will vary greatly depending on the number of employees you train, and the length of training before opening. These expenses also cover such miscellaneous costs and expenses as installation of telephones, electronic cash register systems and hook up charges for gas, electricity and related items, legal and accounting expenses, yearly insurance premiums, as well as other initial opening costs. During the term of the Franchise Agreement, you must maintain in force at your sole expense comprehensive public liability, general liability, product liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Restaurant's operation, all containing the minimum liability coverage we prescribe periodically.

(7) This estimates your need for additional working capital for expenses for the first 6 months of operation. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. We relied on our experience in the restaurant business, and information from franchisees to estimate the amount of additional funds required.

(8) We relied on our experience in the restaurant business, and information provided by franchisees, to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. These payments are non-refundable.

(9) No separate development fee is required if you sign the Option Agreement but we may require you to sign multiple Franchise Agreements (one for each The Original Pancake House® restaurant to be developed under the Option Agreement) at the same time that you sign the Option Agreement, in which case, you will pay to us \$60,000 as the initial franchise fee under each

Franchise Agreement you sign at the time you sign the Option Agreement. We expect the Option Agreement to cover between 2 and 10 The Original Pancake House® restaurants.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

#### **Franchise Agreement**

##### **Required purchases**

You must purchase directly from us the Stabilizer Base that we require you to use in the preparation of pancakes and similar menu items. We are the only approved supplier of the Stabilizer Base. The Stabilizer Base is distinctive and proprietary as a result of being specially produced pursuant to a secret formula and is critical to the maintenance of the standards of quality of the menu items. Specifications and standards are modified based on our experience with the product, the experience of our affiliate, OPHRI, and changes in manufacturer's products. We estimate the proportion of your required purchase of Stabilizer Base from us in relation to all purchases and leases made by you in establishing the business is less than 0.5% and while operating the business is less than 1.5%.

##### **Required and approved suppliers**

You must purchase certain equipment, signs, food products, materials and supplies according to specifications established by us and provided to you as contained in the Operating Manuals. We do specify certain equipment, signs, brand name food products, materials and supplies as required, and approve some others, but except for the Stabilizer Base and maple flavoring, we do not currently specify suppliers, have criteria for approval of suppliers or receive any benefit from your purchases. Other than us, there are no approved suppliers in which any of our officers owns an interest. Your purchases of all specified items (from us or approved suppliers) will represent approximately 75% of your total purchases in connection with the establishment of your Restaurant, and 30% of your total purchases in connection with the operation of your Restaurant.

We will provide you notification of approval or disapproval of items submitted for approval under System Standards within 30 days after submission to us by you.

We do not provide you any additional benefit for use of any specific suppliers. We do negotiate purchase arrangements with suppliers, including discussion of quality and price terms with some suppliers for the benefit of franchisees and OPHRI.

##### **Approval of alternate suppliers**

If you propose to use any brands, types, or models of fixtures, furnishings, equipment, signs, food products, materials and supplies which are regulated under the System Standards and which we have not previously approved, you must submit a written request to us for approval of such item and must submit a sample of it to us for examination and testing before use in the Restaurant. We approve and revoke suppliers based solely on their ability to provide approved items, and notify franchisees in writing if we determine that a supplier can no longer provide a certain specified



item. We will notify you in writing within 30 days of receipt of the sample whether or not the item and/or supplier has been approved. Although we do not currently do so, we can charge a reasonable inspection and supervision fee to cover the actual food and labor costs we incur in determining whether such items meet the System Standards.

### **Insurance**

At all times during the Franchise Agreement's term, you must maintain in force at your sole expense comprehensive insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Restaurant's operation, all containing the minimum liability coverage we periodically prescribe. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. You routinely must furnish to us copies of your Certificates of Insurance or other evidence of you maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Restaurant on your behalf, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

As of the issuance date of this disclosure document, the insurance policy or policies currently must include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified by us periodically), in accordance with our written standards and specifications, the following:

General Liability	\$2,000,000 each occurrence \$3,000,000 annual aggregate
Product Liability	\$2,000,000 each occurrence \$3,000,000 annual aggregate
Motor Vehicle Liability	\$2,000,000 each occurrence \$3,000,000 annual aggregate
Comprehensive Public Liability	\$2,000,000 each occurrence \$3,000,000 annual aggregate

As noted above, we may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages at any time.

## **Option Agreement**

The Option Agreement does not require you to buy or lease from us or designated or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, computer hardware and software, real estate, or comparable items related to establishing or operating the business under the Option Agreement. However, you must follow our requirements under the Franchise Agreement for each Restaurant you develop.

## **Revenue from franchisee purchases**

In the year ending December 31, 2024, our revenue from our sale of products (including the Stabilizer Base) directly to franchisees was \$368,027.27 or approximately 6.0% of our total revenue of \$6,139,977.90.

## **Cooperatives**

We do not currently have any purchasing or distribution cooperatives.

### **ITEM 9**

#### **FRANCHISEE'S OBLIGATIONS**

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

#### **FRANCHISE AGREEMENT**

	<b><u>Obligation</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Item in Disclosure Document</u></b>
a.	Site selection and acquisition/ lease	Section 2.A.	Item 11
b.	Pre-opening purchases/leases	Section 2.B. & 2.C.	Items 6, 7, & 8
c.	Site development and other pre- opening requirements	Sections 2, 3.A., 5.A., 6 & 11	Items 7, 8 & 11
d.	Initial and ongoing training	Section 3	Items 6 & 11
e.	Opening	Section 2.D.	Item 11
f.	Fees	Section 5	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Sections 3.C., 6, 8, 9 & 10	Item 11
h.	Trademarks and Proprietary information	Section 4, 6 & 9	Items 13 and 14
i.	Restrictions on products/ services offered	Sections 8 & 9	Item 16
j.	Warranty and customer service requirements	Section 10	Item 11

	<b><u>Obligation</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Item in Disclosure Document</u></b>
k.	Territorial development and sales quota	Section 1.B.	Item 12
l.	Ongoing product/ service purchases	Sections 3.B. & 9	Item 6, 8 & 11
m.	Maintenance appearance and remodeling requirements	Sections 2, 8, 16, & 18	Item 11
n.	Insurance	Sections 2.D.4., 8(p), 11 & 18.E.	Item 7
o.	Advertising	Section 12	Items 6 & 11
p.	Indemnification	Section 19	Item 6
q.	Owner's participation/ management staffing	Sections 1.B., 3 & 8	Items 11 & 15
r.	Records/reports	Sections 8 & 13	Item 6
s.	Inspections/Audits	Section 14	Item 6
t.	Transfer	Section 15	Item 17
u.	Renewal	Section 16	Item 17
v.	Post-termination obligations	Section 18	Item 17
w.	Non-competition covenants	Sections 7, 15.C.(9) & 18	Item 17
x.	Dispute Resolution	Section 20	Item 17

### OPTION AGREEMENT

	<b><u>Obligation</u></b>	<b><u>Section in Option Agreement</u></b>	<b><u>Item in Disclosure Document</u></b>
a.	Site selection and acquisition/ lease	Section (3)(A)	Item 11
b.	Pre-opening purchases/leases	Not Applicable	Not Applicable
c.	Site development and other pre-opening requirements	Section (3)	Item 11
d.	Initial and ongoing training	Not Applicable	Not Applicable
e.	Opening	Not Applicable	Not Applicable
f.	Fees	Not Applicable	Not Applicable
g.	Compliance with standards and policies/Operating Manual	Not Applicable	Not Applicable
h.	Trademarks and Proprietary information	Section (7)	Item 13
i.	Restrictions on products/ services offered	Not Applicable	Not Applicable
j.	Warranty and customer service requirements	Not Applicable	Not Applicable
k.	Territorial development and sales quota	Sections (5) and (8)	Item 12

	<b><u>Obligation</u></b>	<b><u>Section in Option Agreement</u></b>	<b><u>Item in Disclosure Document</u></b>
l.	Ongoing product/ service purchases	Not Applicable	Not Applicable
m.	Maintenance appearance and remodeling requirements	Not Applicable	Not Applicable
n.	Insurance	Not Applicable	Not Applicable
o.	Advertising	Not Applicable	Not Applicable
p.	Indemnification	Not Applicable	Not Applicable
q.	Owner's participation/ management/ staffing	Not Applicable	Not Applicable
r.	Records/reports	Not Applicable	Not Applicable
s.	Inspections/Audits	Not Applicable	Not Applicable
t.	Transfer	Section (9)	Item 17
u.	Renewal	Not Applicable	Not Applicable
v.	Post-termination obligations	Not Applicable	Not Applicable
w.	Non-competition covenants	Not Applicable	Not Applicable
x.	Dispute Resolution	Section (13)	Item 17

## 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, OPHF is not required to provide you with any assistance.**

#### **Pre-Opening Assistance**

Before you open your Restaurant we will:

1. Approve a site located by you. Your site should be approximately 3,500 to 4,500 square feet, should have a population of at least 100,000, living in households with a minimum income of \$65,000, within a 5 mile radius, and should have a minimum of 50 parking spaces. We will approve or disapprove your proposed site within 60 days after we receive notice of a request for approval of the location and, in addition to the general factors described above, we will also take into consideration factors including general location and visibility, physical characteristics of existing buildings, traffic patterns, lease terms, and available parking. You must provide us with any reasonably requested information concerning the site. We do not generally own the premises and lease it to franchisees. (Franchise Agreement, Section 2.A; Option Agreement, Section (3))

2. Designate your designated area, which will contain at least 100,000 people, with a \$65,000 minimum income per household. (Franchise Agreement, Section 1.B.)

You propose a site for a Restaurant, subject to our approval. If you have entered into a Franchise Agreement for which a location has not been approved, and we cannot agree on a location for that franchise, your initial franchise fee will not be refunded to you by us. The limits of your designated area for a specific franchise will be based on the location of an approved site.

We estimate that typically there will be an interval of approximately 6 to 10 months between the signing of the Franchise Agreement and the opening of a Restaurant, or if no site has been approved at the time the Franchise Agreement is signed, then between the approval of a site and the opening of a Restaurant, but the interval may vary based upon such factors as the location and condition of the site and premises, the construction schedule for the Restaurant and the extent to which an existing location must be upgraded or remodeled, and the amount of training required. You may not open the Restaurant until you are authorized to do so by us. (Franchise Agreement, Section 2.D.)

3. Within 60 days of your signing the Franchise Agreement, or, if no site has been selected as of the execution of this Agreement, then within 60 days of our approval of a site proposed by you, we will furnish you with mandatory and suggested specifications and layouts for a Restaurant (part of the “System Standards”). It will be your responsibility to have prepared all required construction plans and specifications to suit the shape and dimensions of the Restaurant’s premises and to insure that these plans and specifications comply with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. We may review, for our approval, the construction plans submitted by you before the construction commences and may review revised or “as built” plans and specifications during the course of such construction. (Franchise Agreement, Section 2.B.)

4. Provide specifications, standards, operating procedures and rules for the operation of Restaurants, including required and recommended equipment, signs, fixtures, supplies, materials and food products (part of the “System Standards”). Except for the Stabilizer Base, we do not provide, deliver or install your equipment, signs, fixtures, supplies or opening inventory. We do give you the names of recommended suppliers. System Standards may be periodically modified by us in the Operating Manual or otherwise communicated to you in writing, and will constitute provisions of the Franchise Agreement. All references to the Franchise Agreement will include all System Standards as periodically modified. Our System Standards may regulate, and periodically specify, maximum, minimum, or other pricing requirements for products and services that the Restaurant offers, including requirements for promotions, special offers and discounts in which some or all The Original Pancake House restaurants participate, to the maximum extent the law allows. (Franchise Agreement, Section 3.B. and 8)

5. Loan to you during the term of the Franchise 1 copy of the Operating Manual, which may consist of one or more manuals and/or videotapes and or CD’s and DVD’s. The Operating Manual will contain mandatory and suggested specifications, standards and operating procedures that we periodically prescribe for Restaurants, and information relating to other obligations under the Franchise Agreement. The Operating Manual may be modified periodically to reflect changes in the image, specifications, standards, procedures, products and System Standards for

Restaurants, provided that no such addition or modification will alter your fundamental status and rights under the Agreement. The Tables of Contents of the manuals, which currently consist of 187 total pages, are attached as Exhibit "E". (Franchise Agreement, Section 3.C.)

6. Sell to you a reasonable amount of Stabilizer Base, which you must purchase from us, and use in products sold by the Restaurant. (Franchise Agreement, Section 9)

7. Provide training in the operation of a Restaurant. Prior to the Restaurant opening, and at a time convenient to you that can be accommodated by us, up to 4 individuals (including you and the managers of the Restaurant) are entitled to participate in a training program. However, you (or, if you are an entity, an owner holding at least 25% of the equity and voting control in you (a "Controlling Owner")) must complete the training to our satisfaction and participate in all other activities required to open and operate the Restaurant. We may require you to have up to 3 additional people complete the training to our satisfaction. (Franchise Agreement, Section 3.A.)

8. Determine your option area if you sign the Option Agreement. (Option Agreement, Recitals)

9. If you sign the Option Agreement, we may approve one or more of your subsidiaries to develop and operate Restaurants. (Option Agreement, Section (6)(A))

### **Optional Assistance**

We are not required to, but may provide additional training for up to a total of 5 consecutive days at your Restaurant during normal business hours prior to and after its opening.

### **Post-Opening Assistance**

After you open your Restaurant we will:

1. Advise you periodically of operating problems of the Restaurant disclosed by you or by reports submitted to or inspections made by us, and/or furnish you with guidance about improvements and developments in operating procedures utilized by Restaurants. We will provide this guidance in the form of our Operating Manual, bulletins and other written materials and/or consultations at our offices, at the Restaurant or via telephone, fax, letter or e-mail. (Franchise Agreement, Section 3.B.)

2. We may, but are not obligated to, require you and/or previously trained and experienced managers to attend periodic refresher courses at the times and locations that we designate. We may charge you a reasonable fee for this training, but we do not currently impose any fee. You will be responsible for all travel and living expenses you and your managers incur while attending this training. (Franchise Agreement, Section 3.A.)

3. We will sell to you, on our then current standard terms and conditions, such reasonable amounts of the Stabilizer Base as you may periodically order. (Franchise Agreement, Section 9)

4. If you propose to use any brands, types, or models of fixtures, furnishings, equipment, signs, food products, materials and supplies which are regulated under the System Standards and which we have not previously approved, you must submit a written request to us for approval of such item and must submit a sample of it to us for examination and testing before use in the Restaurant. We will notify you in writing within 30 days of receipt of the sample whether or not the item and/or supplier has been approved. (Franchise Agreement, Section 8)

## **Advertising**

We are not obligated to conduct advertising. Recognizing the potential value of advertising to the goodwill and public image of Restaurants, we are not obligated to, but may, establish, maintain and administer national and/or regional advertising funds (the "Marketing Fund") for such advertising and related programs as we may deem necessary or appropriate.

Because we do not currently have an advertising program, we do not know, and cannot disclose to you, the media in which the advertising may be disseminated (for example, print, radio or television); whether the coverage of the media will be local, regional or national in scope; or the source of the advertising (for example, in-house advertising department, a national or regional advertising agency).

We have established a website (the "Website") listed on the Internet. We will control the existence, contents and use of the Website. We retain all rights relating to the Website or other listing and we may alter or terminate the Website at any time. (Franchise Agreement, Section 12.C.)

We permit you to develop and use your own advertising material at your own expense, and require that samples of any of your advertising and promotional materials be submitted to us for inspection. You may not use any advertising or promotional materials that we disapprove in writing within 10 days of receipt from you by us. (Franchise Agreement, Section 12.B.)

Because we do not currently have an advertising program, we do not know, and cannot disclose to you, if there will be an advertising council composed of franchisees who will advise us on advertising policies, or how the members might be selected, or whether any council will be only advisory or have operational or decision making power. We will have the power to form, change or dissolve any advertising council. Because we do not currently have an advertising program, we do not know, and cannot disclose to you, whether and under what terms and conditions you may have to participate in a local regional or national advertising cooperative.

If we establish the Marketing Fund, you will be required to contribute to the Marketing Fund, upon 30 days' prior written notice from us, up to 1% of the Restaurant's Gross Revenue (as defined in the Franchise Agreement) during the Franchise Agreement's term, which contributions will be payable monthly together with the royalty fee due under the Franchise Agreement. Restaurants owned by us and our affiliates will, along with franchisees, be the only contributors to the fund, and they will contribute to the Marketing Fund on the same basis and at the same rate. We reserve the right to suspend contributions to and operations of the Marketing Fund for one or more periods, and the right to terminate the Marketing Fund, upon 30 days written notice to you. All unspent monies on the date of termination will be distributed to Franchisees in proportion to their respective contributions to the Marketing Fund during the preceding 12 month period. We have the right to

reinstate the Marketing Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days prior written notice to you.

If a Marketing Fund is established, an affiliate or we will administer the fund, which will not be audited. We will create an annual statement of monies collected and costs incurred which will be available to you upon written request. Because we do not currently have an advertising program, we do not know, and cannot disclose to you, the use of funds during the most recent fiscal year.

If we establish the Marketing Fund, it will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs. While we will endeavor to benefit all franchisees, we undertake no obligation to ensure that funds are spent in the territory where your franchise is located, or to ensure that any particular franchisee benefits directly, pro rata, from the placement of advertising.

We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Restaurants to the Marketing Fund in that year, and we may cause the Marketing Fund to borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs incurred by the Marketing Fund before other assets of the Marketing Fund are expended. You will not receive a periodic accounting of how advertising fees are spent. None of the advertising fees will be used principally for solicitation for the sale of franchises.

If we implement a marketing program, we will furnish you with samples of marketing, advertising and promotional formats and materials at our direct cost of producing them, plus any related shipping, handling and storage charges.

In addition to your contributions to the Marketing Fund, we may require you to spend monthly for advertising and promotion of the Restaurant at least 1% of the Restaurant's Gross Revenue (as defined in the Franchise Agreement). If we require advertising and promotional expenditures, we may review, at such times as we deem appropriate, your books and records relating to your expenditures for advertising and promotion. If we determine from a review that you have not spent that amount for advertising and promotion, we may require you to pay unspent amounts into the Marketing Fund. (Franchise Agreement, Section 12.)

### **Computer Requirements**

We do not require you to use electronic cash registers or computer systems and we will not have independent access to the information that will be generated or stored in any electronic cash register or computer system.



## TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Training On-The-Job	Location
Formula	0	108	Portland, OR
Grill Pancakes	0	96	Portland, OR
Meat Range	0	72	Portland, OR
Egg Range	0	264	Portland, OR
Server Prep	0	24	Portland, OR
Host/Hostess	0	9	Portland, OR
Dishwashing	0	22	Portland, OR
Weekly Clean-Up	0	27	Portland, OR
Scheduling	0	3	Portland, OR
Policies	0	6	Portland, OR
<b>TOTAL</b>	<b>0</b>	<b>631</b>	

Before you open your Restaurant for business, we will provide approximately 10 weeks of training to you. You (or, if you are an entity, at least 1 of your Controlling Owners) must attend training and complete training to our satisfaction. In addition to you (or at least 1 of your Controlling Owners, if you are an entity), we may require you to send up to 3 additional individuals to our initial training program and these individuals must also complete training to our satisfaction. Even if we do not require you to send the 3 additional individuals, you may decide to send 3 additional individuals to training. Our training program is intended primarily to enable you and your personnel to prepare our batters, sauces and syrups, and cook and plate the food. Additional areas of training include service, cleaning, purchasing, scheduling and policies. We do not maintain a formal training staff or training schedule. There is no classroom training. The training program and other training will be conducted by our or our affiliate's employees, all of whom have at least 1 year of experience in the restaurant industry and with our affiliate. Instructional materials include manuals, DVDs and tests.

During the initial training period, you are obligated to replace any manager who we determine is not qualified to manage a Restaurant. In addition, if you (or a Controlling Owner, if you are an entity) fail to complete all phases of the training program to our satisfaction, we may terminate the Franchise Agreement.

The training is provided on an individual basis, based upon the actual skills, abilities and experience of the trainee. While we offer a 10-week training period, with approximately 631 hours of training, the time spent in each area can vary greatly.

We do not currently charge for this initial training program, but you must pay the travel and living expenses for you and your employees. All training occurs at The Original Pancake House Restaurant in Portland, Oregon, or at a training facility designated by us.

We may require you and/or previously trained and experienced managers to attend periodic refresher courses at times and locations that we designate. We may charge you a reasonable fee for this training, but we do not currently impose any fee. We may, but are not required to, provide

additional training for up to a total of 5 consecutive days at your Restaurant during normal business hours prior to and after its opening.

## ITEM 12

### TERRITORY

#### **Franchise Agreement**

We may grant to you a franchise to operate your Restaurant at a specific location that has already been proposed by you and approved by us, or we may grant you a franchise to operate your Restaurant without a designated location, requiring you to secure the approval from us for a location presented by you. Once your proposed site is approved by us, we will determine your protected designated area (the “Designated Area”), using our then current standard criteria based on factors that we deem relevant, which might include demographics and/or the character of the location. Under our current criteria, for most The Original Pancake House restaurants, the Designated Area is typically a circle with a radius of 5 miles from the approved location. However, the shape of your Designated Area and the radius will depend on various market characteristics such as demographics, traffic flow, boundaries (both man-made and natural), location of competing businesses, neighborhoods covered and population density. For population density, we currently require a minimum population of 100,000 people living in households with a minimum household income of \$65,000.

You will operate from the one location approved by us and you must receive our permission before relocating. Due to other commitments that may exist at the time you request our consent to relocate, we may not consent to your relocation. We have no obligation to consent to the transfer of the location inside or outside of the Designated Area. If you fail to re-commence operation of the relocated location within 360 days after we consent to the relocation, we have the right to terminate the Franchise Agreement.

Under the Franchise Agreement we grant you a “protected territory” during the term of the Franchise Agreement. “Protected” means that, if you are complying with the Franchise Agreement, then we and our affiliates will not operate, or grant any franchises for the operation of, other The Original Pancake House restaurants the physical premises of which are located within your Designated Area. However, we and our current and future affiliates at all times have the right to engage in any activities we or they deem appropriate that the Franchise Agreement does not expressly prohibit, whenever and wherever we or they desire. This includes:

(a) operating, and granting to others the right to operate, The Original Pancake House restaurants at any location outside the Designated Area and on any terms and conditions we deem appropriate; and

(b) advertising and distributing, or granting to others the right to advertise and distribute, products under “THE ORIGINAL PANCAKE HOUSE” mark or under any other trademarks inside the Designated Area through any channel of distribution other than at a The Original Pancake House restaurant located within the Designated Area, including by electronic commerce, in any manner and on any terms we deem appropriate.

There are no restrictions on your soliciting and accepting customers from outside your Designated Area or otherwise competing with other The Original Pancake House restaurants which are now, or in the future may be, located outside your Designated Area. Similarly, there are no restrictions on our or other franchisees soliciting and accepting customers from within your Designated Area, and we are not obligated to pay you any compensation for soliciting or accepting customers from within your Designated Area. Any adjoining Designated Areas would share a customer base. A nearby Designated Area may share the customer base. You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing, to make sales (as opposed to advertising and marketing) because you may only make sales at the Restaurant. We and our affiliates may use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing, to solicit and make sales to customers in your Designated Area using “THE ORIGINAL PANCAKE HOUSE” mark and other trademarks without compensating you. Neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those that The Original Pancake House restaurants offer, although we and they have the right to do so.

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.

Under the Franchise Agreement, you do not receive an option, right of first refusal, or other right to acquire additional franchises within your Designated Area.

There is no minimum sales quota. You maintain rights to your Designated Area whether the population increases or decreases. You are not restricted from soliciting or accepting customers from outside your defined territory. Other franchisees are not restricted from soliciting or accepting customers from inside your Designated Area. Neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those that The Original Pancake House restaurants offer, although we and they have the right to do so.

### **Option Agreement**

We also enter into Option Agreements, where some franchisees (or a subsidiary) can acquire the right to enter into multiple Franchise Agreements to operate The Original Pancake House restaurants in certain larger territories, typically delineated by county or city boundaries (an “Option Area”). If you enter into an Option Agreement with us, we and you will identify the Option Area within which you or your subsidiary entities may develop The Original Pancake House restaurants before signing it. We typically determine the size and boundaries of your Option Area based upon factors including population density, character of neighborhood, location and number of competing businesses and other factors. While there is no minimum Option Area size, we typically will define an Option Area based on the number of The Original Pancake House restaurants you plan to develop, the market, other characteristics of the Option Area, and demographic factors. We enter into Option Agreements based on the franchisee’s financial and business experience, the franchisee’s initially entering into multiple Franchise Agreements, market potential, and our own growth considerations. We do not permit sub-franchising or enter into any

sub-franchising arrangements whatsoever, but only grant the option to you (or your subsidiary entities) to enter into additional Franchise Agreements to open and operate additional The Original Pancake House restaurants.

If you are fully complying with the Option Agreement, we will grant you and your subsidiary entities franchises to operate the agreed-upon number of The Original Pancake House restaurants in the Option Area. You and your subsidiary entities may not develop The Original Pancake House restaurants outside the Option Area.

In order to maintain your rights in the Option Area, you will have to open 1 The Original Pancake House restaurant every 3 years. For each The Original Pancake House restaurant that you (or your subsidiary entity(ies)) develop under the Option Agreement, you or your subsidiary entity(ies) will sign the form of Franchise Agreement and any ancillary agreements we then customarily use in granting franchises for The Original Pancake House restaurants, the terms of which may differ substantially from the terms contained in the Franchise Agreement attached to this disclosure document.

Except as provided below, if you are complying with the Option Agreement, then during the Option Agreement's term only, we will not operate or grant and our affiliates will not operate or grant franchises to third parties to operate The Original Pancake House restaurants within the Option Area, except for franchises we grant you and your approved subsidiary entities. We and our affiliates may at all times engage in any activities we or they deem appropriate that the Option Agreement does not expressly prohibit, whenever and wherever we or they desire.


If you fail to open 1 The Original Pancake House restaurant every 3 years in your Option Area, or if you fail to operate the designated number of The Original Pancake House restaurants under the Option Agreement for more than 1 year, then we may terminate the Option Agreement (and your rights in the Option Area). Otherwise, continuation of your territorial rights in the Option Area does not depend on your achieving a certain sales volume, market penetration, or other contingency. However, we may also terminate the Option Agreement (and your rights in the Option Area) if: (1) we terminate for cause any Franchise Agreement between us (or our affiliate) and you (or your subsidiary), (2) you fail to timely deliver notice to us of your intent to exercise the option, or (3) you (or your subsidiary) undertake an unauthorized transfer. We may alter your Option Area or modify your territorial rights in the Option Area if we establish, or if we grant rights to a franchisee to establish, a The Original Pancake House restaurant outside of your Option Area, but with a Designated Area that overlaps with a portion of your Option Area. In this case, you will no longer have rights in that portion of the Option Area that overlaps with the other The Original Pancake House restaurant's Designated Area. Otherwise, we may not alter your Option Area or modify your territorial rights in the Option Area. When the Option Agreement terminates or expires, we (and our affiliates) may operate, and authorize any other parties to operate, The Original Pancake House restaurants in the Option Area and engage, and allow others to engage, in any other activities we desire within and outside the Option Area without any restrictions whatsoever, subject only to your (or your subsidiary entity's) rights under existing Franchise Agreements with us.

Except as described above, you do not receive any other option, right of first refusal, or other right to acquire additional franchises within your Option Area.

### ITEM 13

#### TRADEMARKS

We grant you the right to operate a Restaurant under the name “The Original Pancake House”. You may also use our other current or future trademarks to operate your Restaurant. By “trademark”, we mean trade names, trademarks, service marks and logos used to identify your Restaurant. We own the following marks, registered on the Principal Register of the United States Patent and Trademark Office:

<u>MARK</u>	<u>REGISTRATION NO.</u>	<u>REG. DATE</u>
EVERYONE KNOWS THE ORIGINAL PANCAKE HOUSE and Design	1,286,563	July 17, 1984
THE ORIGINAL PANCAKE HOUSE	1,289,422	August 7, 1984
THE ORIGINAL PANCAKE HOUSE and Design	1,630,489	January 1, 1991
	7,097,181	July 4, 2023

All Affidavits of use required to be filed to maintain the registrations of the marks have been timely filed, and all registrations have been renewed.

There are no currently effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending infringement, opposition or cancellation, or any pending material litigation involving the principal trademarks.

No agreements significantly limit our right to use or license the use of our trademarks in any manner material to you.

We do not know of any infringing uses that could materially affect your use of the trademarks.

You must follow our rules when you use these trademarks. You cannot use a name or trademark as part of a corporate name, nor can you use a name or trademark with modifying words, designs or symbols except for those which we license to you. You may not use the name Original Pancake House in connection with the sale of an unauthorized product or in a manner or place not authorized in writing by us, including as part of a domain name, electronic address, metatag, or as part of any website or other electronic medium. You and your employees must adhere to our standards and procedures for the use of blogs, common social networks like Facebook, professional networks like Linked-In, live-blogging tools like Twitter, virtual worlds, file, audio and video sharing sites, and other social networking or media sites or tools that in any way reference the trademarks or involve the Restaurant.

You must notify us immediately if you learn about an infringement of or challenge to your use of our trademark. You may not communicate with any person other than us or our counsel in connection with any such infringement, challenge or claim. We will take the action we think appropriate. You are obligated to execute any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our counsel, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the trademarks. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are party to a proceeding involving a trademark licensed by us to you, or if the proceeding is resolved unfavorably to you.

You must add, modify or discontinue the use of a trademark if we add, modify, or discontinue it. If this happens, we will reimburse you for the reasonable tangible costs of compliance (for example, changing signs). However, we will not be obligated to reimburse you for any loss of goodwill associated with any modified or discontinued trademarks or for any expenditures made by you to promote modified or substitute trademarks. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

The Option Agreement does not grant you any rights to use the trademarks. You derive the right to use the trademarks only under a Franchise Agreement.

#### ITEM 14

### PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We and our affiliate claim no patent rights.

We and our affiliate claim copyrights in the Operating Manuals, Video Tapes and DVDs, specifically designed menus and related materials used in operating The Original Pancake House restaurants. We have not registered these copyrights with the United States Registrar of Copyrights but need not do so at this time to protect them. You may use the Operating Manuals and other materials during the term of the Franchise Agreement. We consider these to be trade secrets. We do not own rights in or to any patents nor do we have any pending patent applications.

We also possess certain confidential information relating to the operation of Restaurants, which includes methods, techniques, formats, specifications, systems, procedures and knowledge of and experience in the development and operation of Restaurants. We may disclose certain confidential information to you in the initial training program and subsequent training, the Operating Manuals, video tapes and DVDs, and guidance furnished to you during the term of the Franchise.

You will not acquire any interest in confidential information other than the right to utilize confidential information disclosed to you in operating the Restaurant during the term of the Franchise Agreement, and that you will comply with restrictions on your treatment of the confidential information.

You represent and warrant that each current employee who will have access to the confidential information, and each owner of the franchise, if you are an entity, has first entered into a Confidentiality Agreement. You must notify us of the name and position of anyone required to

execute a Confidentiality Agreement, and you must send originals of such Confidentiality Agreements to us within 20 days after they are signed. Our current form of Confidentiality Agreement is attached to the Franchise Agreement as Exhibit B.

The failure of any restricted person or entity to sign or comply with the applicable Confidentiality Agreement will constitute a material breach of the Franchise Agreement by you, without regard to whether the non-complying person or entity is a party to or a guarantor of the Franchise Agreement.

The Stabilizer Base produced by us for use in the preparation of pancakes and similar food items is distinctive and proprietary, as a result of being specially produced pursuant to a secret formula. The use of the Stabilizer Base is critical to the maintenance of the standards of quality of the products sold by Restaurants. You agree that you will use the Stabilizer Base in products sold by the Restaurant in the manner prescribed by us. You may use the Stabilizer Base solely in the operation of the Restaurant. You may not duplicate the Stabilizer Base for your own use or for resale to others, and unauthorized use, sale or duplication of the Stabilizer Base will constitute a material breach of the Franchise Agreement.

There are currently no effective determinations of the U.S. Copyright Office or any court regarding any of our or our affiliates' copyrights, nor are there any agreements currently in effect which significantly limit our or our affiliates' rights to use or license the copyrighted materials in any manner material to the Franchise. There are no infringing uses actually known to us that could materially affect your use of the copyrighted materials. We and our affiliate are not obligated under any agreement to protect or defend their copyrights.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyright or confidential information. We are not required to defend you against a claim against your use of our copyright or confidential information, or to reimburse you for your liability and reasonable costs in connection with defending our copyrights or confidential information. You are obligated to execute any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our counsel, may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or otherwise to protect and maintain our interests in the copyright and confidential information.

You must add, modify or discontinue the use of any copyrighted and proprietary materials if we add, modify, or discontinue them. If this happens, we will reimburse you for the reasonable tangible costs of compliance. However, we will not be obligated to reimburse you for any loss of goodwill associated with any modified or discontinued copyrighted and proprietary materials or for any expenditure made by you to promote modified or substitute copyrighted and proprietary materials. You must not directly or indirectly contest our right to our copyrighted and proprietary materials that are part of our business.

The Option Agreement does not grant you any right to use our copyrighted materials or confidential information. You derive the right to use these items only under a Franchise Agreement with us.

## ITEM 15

### OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

#### **Franchise Agreement**

We recommend franchisees participate directly in this business and on premises. If you are an individual, you must complete all phases of training and participate personally in the operation of the Restaurant. If you are an entity, at least 1 Controlling Owner must complete all phases of training and participate personally in the operation of the Restaurant.

You also must designate an individual as the manager to provide on premises supervision of the Restaurant. A manager must successfully complete training, and you must replace a manager who we determine is not qualified to manage the Restaurant. A manager need not have any ownership interest in the Restaurant or in you.

Managers, and each individual that owns an interest in you (if you are an entity), must sign a written agreement to maintain the confidentiality of the trade secrets described in Item 14 and comply with the covenants not to compete described in Item 17. Each individual who owns an interest in you (if you are an entity) must also sign an Owner's Guaranty and Assumption of Franchisee's Obligations (Exhibit G). We do not require owners' spouses to sign guaranties.

#### **Option Agreement**

Under the Option Agreement, your personnel need not have an equity interest in any The Original Pancake House restaurant (or in you) and need not attend our training program. If you are an entity, upon signing each franchise agreement, your owners must sign the then-current form of franchise agreement and any ancillary documents used by us at that time, including any guarantees then required by us. If one of your subsidiaries executes a Franchise Agreement, you must guaranty the subsidiary entity's obligations under the Franchise agreement.

## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer all products and services that we periodically designate as required for all franchisees. We require you to offer and sell only those products and services that we have approved. You must discontinue offering, selling or providing any products or services that we at any time may disapprove. You may offer approved products and services only at the Restaurant location for consumer consumption on the Restaurant premises and for takeout. You may not offer any products or services at any other location without our approval. You are not required to sell all goods and services that we have approved. We designate some menu items as optional. We have the right to change the types of authorized products and services. There are no limits on our right to make changes, provided such changes do not alter your fundamental status and rights under the Franchise Agreement. There are no franchisor-imposed restrictions or conditions that limit access to customers.



## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

#### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.**

<b>THE FRANCHISE AGREEMENT</b>		
<b><u>Provision</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Summary</u></b>
a. Length of the term of the franchise	1.B.	20 years
b. Renewal or extension	16	If you are in good standing, upon expiration of your original Franchise Agreement, you will have the right to renew your franchise for the franchise term then offered, but with no initial franchise fee. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreement.
c. Requirements for you to renew or extend	16	<p>To “renew” you must give notice in 17th year, sign then current form of agreement, remodel if required, and sign a general release. No additional fee is charged.</p> <p>The terms of our then current franchise agreement that you sign for renewal of the franchise may differ materially from any and all of those contained in the Franchise Agreement attached to this disclosure document, including a reduced Designated Area and increased fees.</p>
d. Termination by franchisee	17.A.	Only if we breach and fail to cure the breach
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	17.B.	We can only terminate if you or your managers do not complete the training, if you do not open in 1 year, or if you default.
g. "Cause" defined-curable defaults	17.B.(1) – (8), (10), (12), & (14)	You have from 72 hours to 30 days to cure any curable defaults such as late royalty reporting, late royalty payment and late merchandise payment.

<b>THE FRANCHISE AGREEMENT</b>		
<b><u>Provision</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Summary</u></b>
h. "Cause" defined - non-curable defaults	17.B.(9), (11) & (13)	Non-curable defaults: conviction of a felony, repeated defaults (even if cured), abandonment, bankruptcy, trademark misuse, and unapproved transfers.
i. Franchisee's obligations on termination/non-renewal	18	Obligations include complete de-identification and payments of amounts due (also see r., below).
j. Assignment of contract by franchisor	15.A.	We may change our ownership or form and/or assign the Franchise Agreement without restriction.
k. "Transfer" by franchisee - defined	15.B.	Includes transfer of contract, Restaurant assets, stock shares or ownership change.
l. Franchisor approval of transfer by you	15.C.	We have the right to approve all transfers but may not unreasonably withhold approval
m. Conditions for franchisor approval of transfer	15.C.	New franchisee qualifies, transfer fee paid, any defaults cured, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee.
n. Franchisor's right of first refusal to acquire your business	15.G.	We can match any offer for your business.
o. Franchisor's option to purchase franchisee's business	18.E.	Only upon termination of your Franchise Agreement.
p. Death or disability of franchisee	15.E.	Franchise must be assigned by estate to approved transferee within 6 months.
q. Non-competition covenants during the term of the franchise	7	No involvement in competing business anywhere in U.S.A. or Canada, or within a 15 mile radius of any The Original Pancake House restaurant.
r. Non-competition covenants after the franchise is terminated or expires	18.D.	No involvement in competing business within a 15 mile radius of any The Original Pancake House restaurant for 1 year.
s. Modification of agreement	20.B. & G.	No modifications generally but Operating Manual subject to change

<b>THE FRANCHISE AGREEMENT</b>		
<b><u>Provision</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Summary</u></b>
t. Integration/merger clause	20.K.	Only the terms of the Franchise Agreement and other related agreements are binding (subject to applicable state law). Nothing in the Franchise Agreement requires you to waive reliance on the representations we 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	Not Applicable	Not Applicable
v. Choice of forum	20.F.	Any state or federal court of general jurisdiction in the State of Oregon (subject to state law).
w. Choice of law	20.F.	Except for the United States Trademark Act of 1946 and other federal law, Oregon law applies (subject to state law).

<b>OPTION AGREEMENT</b>		
<b><u>Provision</u></b>	<b><u>Section in Option Agreement</u></b>	<b><u>Summary</u></b>
a. Length of the Option term	(3), (4), (6) & (10)	Option continues as long as 1 franchise is opened every 3 year period, minimum required number of units operate, and no units terminated for cause, or unauthorized transfer made by you.
b. Renewal or extension	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	(6) and (10)	<p>We may terminate the Franchise Agreement if you commit any one of several violations.</p> <p>We can terminate only if a Franchise Agreement between you (or a subsidiary) and</p>

<b>OPTION AGREEMENT</b>		
<b><u>Provision</u></b>	<b><u>Section in Option Agreement</u></b>	<b><u>Summary</u></b>
		us is terminated by us for cause; if you fail to deliver written notice of your intent to exercise an option before the applicable exercise date; if you make or attempt to make an unauthorized transfer of the Option Agreement; or if you fail to operate the minimum number of Restaurants.
g. "Cause" defined-curable defaults	Not Applicable	Not Applicable
h. "Cause" defined - non-curable defaults	(10)	Non-curable defaults: unauthorized assignment, termination of a franchise by us for cause, failure to exercise an option before the applicable exercise date, failure to operate the minimum number of Restaurants.
i. Franchisee's obligations on termination/non-renewal	Not Applicable	Not Applicable
j. Assignment of contract by franchisor	(9)(A)	No restriction on our right to assign.
k. "Transfer" by franchisee - defined	(9)(B)	Includes transfer of agreement or any ownership interests in you.
l. Franchisor approval of transfer by you	(9)(B)	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer		We have the right to approve all transfers; all transfers must be of whole agreement and you must simultaneously transfer to the transferee the right, title and interest that you (or your owners) own or hold in and to any Restaurants and all approved subsidiaries.
n. Franchisor's right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Franchisor's option to purchase your business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the option	Not Applicable	Not Applicable

<b>OPTION AGREEMENT</b>		
<b><u>Provision</u></b>	<b><u>Section in Option Agreement</u></b>	<b><u>Summary</u></b>
r. Non-competition covenants after the franchise is terminated or canceled	Not Applicable	Not Applicable
s. Modification of the agreement	(11)	No modifications unless in a signed writing.
t. Integration/merger clause	(11) & (12)	Only the terms of the Option Agreement and other related agreements are binding (subject to applicable state law). Nothing in the Option Agreement or Franchise Agreement requires you to waive reliance on the representations we made in the disclosure document. Any representations or promises outside of the disclosure document and Option Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	(13)	Any state or federal court of general jurisdiction in the State of Oregon (subject to state law).
w. Choice of law	(13)	Except for the United States Trademark Act of 1946 and other federal law, Oregon law applies (subject to state law).

#### Item 18

#### PUBLIC FIGURES

We do not use any public figures 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.

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 any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jonathan Liss, 8601 SW 24<sup>th</sup> Avenue, Portland, Oregon 97219, 503-246-4955, the Federal Trade Commission, and the appropriate state regulatory agencies.

## Item 20

### OUTLETS AND FRANCHISEE INFORMATION

All year end numbers in the tables below are as of December 31 in each year.

Table #1

#### **Systemwide Outlet Summary For Years 2022 to 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	144	146	+2
	2023	146	147	+1
	2024	147	146	-1
Company Owned	2022	1	1	0
	2023	1	1	0
	2024	1	1	0
Total Outlets	2022	145	147	+2
	2023	147	148	+1
	2024	148	147	-1

Table #2

#### **Transfer of Outlets From Franchisees to New Owners (other than the Franchisor) For Years 2022 to 2024**

State	Year	Number of Transfers
California	2022	0
	2023	0
	2024	2
Indiana	2022	0
	2023	3
	2024	0
Minnesota	2022	0
	2023	1
	2024	0

State	Year	Number of Transfers
North Carolina	2022	0
	2023	0
	2024	2
Ohio	2022	2
	2023	0
	2024	0
Oregon	2022	0
	2023	0
	2024	2
Texas	2022	0
	2023	0
	2024	1
<b>Total</b>	<b>2022</b>	<b>2</b>
	<b>2023</b>	<b>4</b>
	<b>2024</b>	<b>7</b>

Table #3

**Status of Franchised Stores  
For Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Termin ations	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other reasons	Outlets at End of the Year
Alabama	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Arizona	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
California	2022	14	0	0	0	0	0	14
	2023	14	0	0	0	0	0	14
	2024	14	0	0	0	0	0	14
Colorado	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Florida	2022	13	0	0	0	0	0	13
	2023	13	0	0	0	0	2	11
	2024	11	0	0	0	0	0	11
Georgia	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	1	4
	2024	4	0	0	0	0	2	2

State	Year	Outlets at Start of Year	Outlets Opened	Termin ations	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other reasons	Outlets at End of the Year
Hawaii	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	1	1
	2024	1	0	0	0	0	0	1
Idaho	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Illinois	2022	19	0	0	0	0	0	19
	2023	19	0	0	0	0	0	19
	2024	19	0	0	0	0	0	19
Indiana	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Iowa	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Maryland	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Michigan	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Minnesota	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
Missouri	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Nevada	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New Jersey	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
New York	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
North Carolina	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2



State	Year	Outlets at Start of Year	Outlets Opened	Termin ations	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other reasons	Outlets at End of the Year
Ohio	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
	2024	9	1	0	0	0	0	10
Oregon	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Pennsylvania	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
South Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
South Dakota	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Texas	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
	2024	8	0	0	0	0	0	8
Utah	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Virginia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Washington	2022	7	1	0	0	0	0	8
	2023	8	1	0	0	0	0	9
	2024	9	0	0	0	0	0	9
Wisconsin	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
<b>Sub Total</b>	<b>2022</b>	<b>128</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>128</b>
	<b>2023</b>	<b>128</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>128</b>
	<b>2024</b>	<b>128</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>127</b>
Japan	2022	10	1	0	0	0	1	10
	2023	10	0	0	0	0	0	10
	2024	10	0	0	0	0	0	10

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
Korea	2022	6	2	0	0	0	0	8
	2023	8	1	0	0	0	0	9
	2024	9	1	0	0	0	1	9
<b>Total</b>	<b>2022</b>	<b>144</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>146</b>
	<b>2023</b>	<b>146</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>147</b>
	<b>2024</b>	<b>147</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>146</b>

Table #4

**Status of Company Owned Outlets  
For Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Oregon	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
<b>Total</b>	<b>2022</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2023</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2024</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

Table #5

**Projected Openings as of December 31, 2024**

State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchise Outlets in The Next Fiscal Year	Projected New Company-Owned Outlets in The Next Fiscal Year
California	2	0	0
Missouri	1	0	0
New Mexico	1	0	0
New York	1	0	0
Texas	2	0	0
<b>Total</b>	<b>7</b>	<b>0</b>	<b>0</b>

Exhibit I is a list of the names of all of our franchisees as of December 31, 2024 and the addresses and telephone numbers of all of their The Original Pancake House restaurants. Exhibit I also includes a list of the names, cities and states, and telephone numbers of the franchisees who had a franchise terminated, canceled, transferred or not renewed or otherwise voluntarily or involuntarily

ceased to do business under our Franchise Agreement during our most recently completed fiscal year or who has not communicated with us for the 10 weeks preceding the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

A list of franchisees who have signed an agreement but not yet opened an outlet is attached as Exhibit J.

There are no trademark-specific franchise organizations associated with this franchise system being offered in this disclosure document.

## ITEM 21

### FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit C are our audited fiscal year end financials for December 31, 2024, December 31, 2023 and December 31, 2022.

## ITEM 22

### CONTRACTS

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

- A. OPHF Franchise Agreement
- B. OPHF Option Agreement
- G. OPHF Confidentiality and Non-Competition Agreement
- H. OPHF Owner's Guarantee Agreement
- F. General Release Agreement

## ITEM 23

### RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.

**EXHIBIT A**  
**THE ORIGINAL PANCAKE HOUSE**  
**FRANCHISE AGREEMENT**

**THE ORIGINAL PANCAKE HOUSE**  
**FRANCHISE AGREEMENT**

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**THE ORIGINAL PANCAKE HOUSE**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “Agreement”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between The Original Pancake House Franchising, Inc., an Oregon corporation, with its principal business address at 8601 Southwest 24th Avenue, Portland, Oregon 97219 (the “COMPANY”), and \_\_\_\_\_, whose principal address is \_\_\_\_\_ (“FRANCHISEE”).

1. **PREAMBLES AND GRANT OF FRANCHISE.**

A. **PREAMBLES.**

COMPANY and its affiliates have developed a concept for a restaurant specializing in pancakes and other food products and services for consumer consumption on the restaurant premises and for take out. These restaurants are known as “THE ORIGINAL PANCAKE HOUSE” restaurants and operate under distinctive business formats, signs, systems, methods, procedures, layouts and specifications, all of which COMPANY may improve, further develop or otherwise modify from time to time. COMPANY owns, uses and licenses the trade and service mark “THE ORIGINAL PANCAKE HOUSE” and associated logo, which has gained and continues to gain public acceptance and goodwill, and may hereafter create, use and license additional trademarks, service marks, commercial symbols and trade dress (collectively referred to as the “Marks”) in conjunction with the operation of THE ORIGINAL PANCAKE HOUSE restaurants. Individuals who meet COMPANY’s qualifications and are willing to undertake the investment and effort to establish and develop a THE ORIGINAL PANCAKE HOUSE restaurant are granted a franchise to own and operate a THE ORIGINAL PANCAKE HOUSE restaurant selling the products and services COMPANY authorizes and approves and utilizing COMPANY’s business formats, signs, systems, methods, procedures, layouts, specifications and the Marks (the “System”).

B. **GRANT OF FRANCHISE.**

FRANCHISEE has applied for a franchise to own and operate a THE ORIGINAL PANCAKE HOUSE restaurant at \_\_\_\_\_ (the “Premises”). COMPANY has approved FRANCHISEE in reliance upon all of FRANCHISEE’s representations. Subject to the provisions of this Agreement, COMPANY hereby grants to FRANCHISEE a franchise (the “Franchise”) to operate a THE ORIGINAL PANCAKE HOUSE restaurant at the Premises (the “RESTAURANT”), and to use the Marks in the operation thereof, for a twenty (20) year term commencing on the date of this Agreement, unless sooner terminated in accordance with Section 17 hereof. The Franchise entitles FRANCHISEE to distribute product at and on the RESTAURANT location for consumer consumption on the restaurant premises and for take out, and not by any other means, including without limitation by electronic commerce. FRANCHISEE may not use the name THE ORIGINAL PANCAKE HOUSE in connection with the sale of an unauthorized product or in a manner not authorized in writing by COMPANY. So long as FRANCHISEE is in compliance with this Agreement, COMPANY (and its affiliates) shall not operate or grant any franchises for the operation of other THE ORIGINAL PANCAKE

HOUSE restaurants the physical premises of which would be located within the geographic area set forth in Exhibit A attached hereto (the "Designated Area"); provided, however, that COMPANY (either directly or through an affiliate) retains the right in its sole discretion to operate and grant to others the right to operate THE ORIGINAL PANCAKE HOUSE restaurants at such locations outside the Designated Area and on such terms and conditions as COMPANY deems appropriate. COMPANY (either directly or through an affiliate) retains the right in its sole discretion to advertise and distribute or license others to advertise and distribute product under the Marks or under any other trademarks inside the Designated Area, other than at THE ORIGINAL PANCAKE HOUSE RESTAURANTS, including, without limitation, by electronic commerce, in such a manner and on such terms and conditions as COMPANY deems appropriate.

FRANCHISEE agrees that FRANCHISEE will at all times faithfully, honestly and diligently perform FRANCHISEE's obligations hereunder, that FRANCHISEE will continuously exert FRANCHISEE's best efforts to promote and enhance the business of the RESTAURANT and that FRANCHISEE will not engage in any other business or activity that may conflict with FRANCHISEE's obligations hereunder. FRANCHISEE may not operate the RESTAURANT at any site other than the Premises without COMPANY's prior written consent. In the event that COMPANY consents to a relocation of the operation of the RESTAURANT to any other site, FRANCHISEE agrees to reimburse COMPANY for its reasonable expenses incurred in connection with any such relocation. FRANCHISEE recognizes and acknowledges that due to other commitments that may exist at the time a FRANCHISEE requests COMPANY's consent to relocate the RESTAURANT, consent may not be granted by COMPANY to such relocation. FRANCHISEE also recognizes and acknowledges that COMPANY has no obligation to consent to the transfer of the RESTAURANT to a location inside or outside of the Designated Area. Notwithstanding any other provision of this Agreement, if FRANCHISEE fails to re-commence operation of the relocated RESTAURANT within three hundred and sixty (360) days after the COMPANY consents to such relocation, COMPANY shall have the right to terminate this Agreement effective upon delivery of notice of termination to FRANCHISEE.

## **2. SITE SELECTION AND DEVELOPMENT OF RESTAURANT.**

### **A. SITE SELECTION.**

**FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS LOCATED AND COMPANY HAS APPROVED THE SITE FOR THE PREMISES OF THE RESTAURANT, OR, IF NO SITE HAS BEEN SELECTED, THAT FRANCHISEE MUST LOCATE A SITE FOR THE PREMISES, SUBJECT TO COMPANY'S RIGHT OF APPROVAL. IF NO SITE HAS BEEN SELECTED, THEN FRANCHISEE MUST PROVIDE COMPANY WITH ANY REASONABLY REQUESTED INFORMATION CONCERNING ANY PROPOSED SITE. AFTER FRANCHISEE HAS EXECUTED A LEASE FOR THE SITE SUBJECT ONLY TO COMPANY'S APPROVAL, COMPANY WILL APPROVE OR DISAPPROVE THE SITE WITHIN 60 DAYS OF NOTIFICATION BY FRANCHISEE OF THE PROPOSED SITE, PROVIDED FRANCHISEE ACKNOWLEDGES AND AGREES THAT COMPANY'S APPROVAL OF THE PREMISES AND ANY INFORMATION IMPARTED TO FRANCHISEE REGARDING THE PREMISES DO NOT CONSTITUTE A REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESSED OR IMPLIED, AS TO THE SUITABILITY OF THE**

**PREMISES FOR A THE ORIGINAL PANCAKE HOUSE RESTAURANT OR FOR ANY OTHER PURPOSE. COMPANY'S APPROVAL OF THE PREMISES INDICATES ONLY THAT COMPANY BELIEVES THAT THE PREMISES FALL WITHIN THE ACCEPTABLE CRITERIA ESTABLISHED BY COMPANY AS OF THE TIME PERIOD ENCOMPASSING THE EVALUATION. BOTH FRANCHISEE AND COMPANY ACKNOWLEDGE THAT APPLICATION OF CRITERIA THAT HAVE BEEN EFFECTIVE WITH RESPECT TO OTHER SITES AND PREMISES MAY NOT BE PREDICTIVE OF POTENTIAL FOR ALL SITES AND PREMISES AND THAT, SUBSEQUENT TO COMPANY'S APPROVAL OF A SITE AND PREMISES, DEMOGRAPHIC AND/OR ECONOMIC FACTORS, INCLUDING COMPETITION FROM OTHER FOOD SERVICE BUSINESSES, INCLUDED IN OR EXCLUDED FROM COMPANY'S CRITERIA COULD CHANGE, THEREBY ALTERING THE POTENTIAL OF A SITE AND PREMISES. THE UNCERTAINTY AND INSTABILITY OF SUCH CRITERIA ARE BEYOND COMPANY'S CONTROL AND COMPANY SHALL NOT BE RESPONSIBLE FOR THE FAILURE OF A SITE AND PREMISES APPROVED BY COMPANY TO MEET EXPECTATIONS AS TO POTENTIAL REVENUE OR OPERATIONS. FRANCHISEE FURTHER ACKNOWLEDGES AND AGREES THAT FRANCHISEE'S ACCEPTANCE OF A FRANCHISE FOR THE OPERATION OF A THE ORIGINAL PANCAKE HOUSE RESTAURANT AT THE PREMISES IS BASED ON FRANCHISEE'S OWN INDEPENDENT INVESTIGATION OF THE SUITABILITY OF THE PREMISES.**

**B. RESTAURANT DEVELOPMENT.**

FRANCHISEE shall be responsible for developing the RESTAURANT. COMPANY will furnish to FRANCHISEE, within 60 days of signing the franchise agreement, or, if no site has been selected as of the execution of this Agreement, then within 60 days of COMPANY'S approval of a site proposed by FRANCHISEE, mandatory and suggested specifications and layouts for a THE ORIGINAL PANCAKE HOUSE restaurant, including requirements for image, kitchen layout, signs and certain fixtures and equipment. It shall be FRANCHISEE'S responsibility to have prepared all required construction plans and specifications to suit the shape and dimensions of the Premises and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. FRANCHISEE shall submit construction plans and specifications to COMPANY for its approval before construction of the RESTAURANT is commenced and shall, upon COMPANY'S request, submit all revised or "as built" plans and specifications during the course of such construction.

FRANCHISEE agrees, at FRANCHISEE'S sole expense, to do or cause to be done the following with respect to developing the RESTAURANT at the Premises:

- (a) secure all financing required to develop and operate the RESTAURANT;
- (b) obtain all required building, utility, sign, health, sanitation, business and other permits and licenses required for construction and operation of the RESTAURANT;
- (c) construct all required improvements to the Premises and decorate the RESTAURANT in compliance with plans and specifications COMPANY approves;

(d) purchase and install all required fixtures, furniture, furnishings, equipment and signs required for the RESTAURANT; and

(e) purchase an opening inventory of food products, materials and supplies.

**C. FIXTURES, FURNISHINGS, EQUIPMENT AND SIGNS.**

With respect to those fixtures, furnishings, equipment and signs which COMPANY regulates under the System Standards, FRANCHISEE agrees to use in the development and operation of the RESTAURANT only those brands, types, models which COMPANY has approved. FRANCHISEE further agrees to place or display at the Premises (interior and exterior) only such signs, emblems, lettering, logos and display materials that COMPANY approves in writing from time to time.

**D. RESTAURANT OPENING.**

FRANCHISEE agrees not to open the RESTAURANT for business until:

(1) COMPANY approves the RESTAURANT;

(2) pre-opening training of FRANCHISEE and RESTAURANT personnel has been completed to COMPANY's satisfaction;

(3) the initial franchise fee and all other amounts then due to COMPANY have been paid in full; and

(4) COMPANY has been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as COMPANY requests.

FRANCHISEE agrees to open the RESTAURANT for business within five (5) days after COMPANY notifies FRANCHISEE that the conditions set forth in this Paragraph have been satisfied.

**E. REBUILDING OF THE RESTAURANT.**

In the event the RESTAURANT is damaged or destroyed by fire or any other casualty, FRANCHISEE shall, within thirty (30) days thereof, initiate such repairs or reconstruction, and thereafter in good faith and with due diligence continue until completion such repairs or reconstruction required in order to restore the premises of the RESTAURANT to its original condition prior to such casualty. COMPANY may require the closing of the RESTAURANT or any part thereof during such repairs or reconstruction. If, in COMPANY's reasonable judgment, the damage or destruction is of such a nature or to such an extent that it is feasible for FRANCHISEE to repair or reconstruct the premises of the RESTAURANT in conformity with the then-current image and design of THE ORIGINAL PANCAKE HOUSE restaurants without incurring substantial additional costs therefor, COMPANY may require FRANCHISEE to do so, by giving written notice thereof to FRANCHISEE, and in such event COMPANY may require FRANCHISEE to upgrade the entire RESTAURANT, at FRANCHISEE's expense, to conform to

the interior and exterior building, decor and trade dress of the then-current image and design of THE ORIGINAL PANCAKE HOUSE restaurants, including, without limitation, structural changes, remodeling, redecorating and replacement of signs containing the Marks. Notwithstanding any other provision of this Agreement, if FRANCHISEE fails to re-commence operation of the RESTAURANT within three hundred and sixty (360) days after it is damaged or destroyed, COMPANY shall have the right to terminate this Agreement effective upon delivery of notice of termination to FRANCHISEE.

### 3. **TRAINING AND GUIDANCE.**

#### A. **TRAINING.**

Prior to the RESTAURANT's opening, COMPANY shall furnish a training program on the operation of a THE ORIGINAL PANCAKE HOUSE restaurant. Approximately ten (10) weeks of training will be furnished at a THE ORIGINAL PANCAKE HOUSE restaurant owned and operated by COMPANY, an affiliate of COMPANY or a training facility designated by COMPANY. Up to four (4) individuals (including FRANCHISEE and the managers of the RESTAURANT) are entitled to participate in the training program. FRANCHISEE (or a Controlling owner thereof, being the owner of twenty-five percent (25%) or more of the equity and voting control of FRANCHISEE) shall be required to complete all phases of the training program to COMPANY's satisfaction and to participate in all other activities required to open and operate the RESTAURANT. COMPANY may require FRANCHISEE to have up to three (3) additional people complete the training to COMPANY's satisfaction. During the initial training period, FRANCHISEE shall replace any manager who COMPANY determines, in its sole discretion, is not qualified to manage a THE ORIGINAL PANCAKE HOUSE restaurant. FRANCHISEE shall be responsible for all travel and living expenses which FRANCHISEE and FRANCHISEE's managers incur in connection with the training program. COMPANY is not required to, but may provide additional training for up to a total of five (5) consecutive days at the RESTAURANT during normal business hours prior to and after the RESTAURANT's opening.

COMPANY may require FRANCHISEE and/or previously trained and experienced managers to attend periodic refresher courses at such times and locations that COMPANY designates. FRANCHISEE shall be responsible for all travel and living expenses which FRANCHISEE and FRANCHISEE's managers incur in connection with such training. COMPANY may also require FRANCHISEE to pay fees for attending refresher training courses and training of new managers hired after the RESTAURANT opens.

#### B. **GUIDANCE.**

COMPANY may advise FRANCHISEE from time to time of operating problems of the RESTAURANT disclosed by reports submitted to or inspections made by COMPANY and shall furnish to FRANCHISEE guidance in connection with:

- (1) methods, standards and operating procedures utilized by THE ORIGINAL PANCAKE HOUSE restaurants;
- (2) purchasing required fixtures, furnishings, equipment, signs, food products, materials and supplies;

(3) employee training; and COMPANY may furnish to FRANCHISEE guidance in connection with (although FRANCHISEE is solely responsible for the terms and conditions of employment of FRANCHISEE's employees):

(4) administrative, book-keeping, accounting and general operating and management procedures.

Such guidance shall, in COMPANY's discretion, be furnished in the form of COMPANY's operating manual, which includes videotape ("Operating Manual"), and bulletins and other written materials, and/or consultations at COMPANY's offices, at the RESTAURANT or via fax or telephone. COMPANY will make no separate charge to FRANCHISEE for such guidance. However, COMPANY may make reasonable charges to FRANCHISEE for operating assistance made necessary, in COMPANY's judgment, as a result of FRANCHISEE's failure to comply with any provision of this Agreement or any specification, System Standard or operating procedure COMPANY prescribes and assistance requested by FRANCHISEE in excess of that which COMPANY normally provides.

#### **C. OPERATING MANUAL.**

COMPANY will loan to FRANCHISEE during the term of the Franchise one (1) copy of the Operating Manual, which may consist of one or more manuals, videotapes or DVDs. The Operating Manual shall contain mandatory and suggested specifications, standards and operating procedures that COMPANY prescribes from time to time for THE ORIGINAL PANCAKE HOUSE restaurants and information relating to FRANCHISEE's other obligations under this Agreement. The Operating Manual may be modified from time to time to reflect changes in the image, specifications, standards, procedures, products and System Standards (as defined below) for THE ORIGINAL PANCAKE HOUSE restaurants, provided that no such addition or modification shall alter FRANCHISEE's fundamental status and rights under this Agreement. FRANCHISEE shall keep FRANCHISEE's copy of the Operating Manual current and, in the event of a dispute relating to the contents of the Operating Manual, the master copy that COMPANY maintains at its principal office shall be controlling. FRANCHISEE must exchange manuals for revised versions. FRANCHISEE may not at any time remove the Operating manual from the RESTAURANT premises or copy any part of the Operating Manual, or reproduce the Operating Manual in any way. In the event FRANCHISEE's copy of the Operating Manual is lost, destroyed or significantly damaged, FRANCHISEE shall be obligated to obtain from COMPANY, and to pay COMPANY's actual costs for, a replacement copy of the Operating Manual.

#### **D. DELEGATION OF PERFORMANCE.**

FRANCHISEE agrees that COMPANY has the right to delegate the performance of any portion or all of COMPANY's obligations under this Agreement to COMPANY's affiliates or other third party designees, whether these designees are COMPANY's agents or independent contractors with whom COMPANY contracts to perform these obligations.

4. **MARKS.**

A. **OWNERSHIP AND GOODWILL OF MARKS.**

FRANCHISEE acknowledges that FRANCHISEE's right to use the Marks is derived solely from this Agreement and is limited to FRANCHISEE's conduct of business pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures COMPANY prescribes from time to time during its term. Any unauthorized use of the Marks by FRANCHISEE shall constitute a breach hereof and an infringement of COMPANY's rights in and to the Marks. FRANCHISEE acknowledges and agrees that FRANCHISEE's usage of the Marks and any goodwill established thereby shall inure to COMPANY's exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon FRANCHISEE, other than the right to operate a THE ORIGINAL PANCAKE HOUSE restaurant in compliance with this Agreement. All provisions of this Agreement applicable to the Marks shall apply to any additional proprietary trade and service marks and commercial symbols COMPANY hereafter authorizes for use by FRANCHISEE.

B. **LIMITATIONS ON FRANCHISEE'S USE OF MARKS.**

FRANCHISEE agrees to use the Marks as the sole identification of the RESTAURANT, provided that FRANCHISEE shall identify himself as the independent owner thereof in the manner COMPANY prescribes. FRANCHISEE shall not use any Mark (or any modification of a Mark) as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to FRANCHISEE hereunder), nor may FRANCHISEE use any Mark (or any modification of a Mark) as part of any domain name, electronic address, metatag or otherwise in connection with any website or other electronic medium, nor may FRANCHISEE use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by COMPANY. FRANCHISEE agrees to display the Marks prominently at the RESTAURANT, on supplies or materials designated by COMPANY and in connection with packaging materials, forms, labels and advertising and marketing materials. All Marks shall be displayed in the manner COMPANY prescribes. FRANCHISEE agrees to give such notices of trade and service mark registrations as COMPANY specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. **DISCONTINUANCE OF USE OF MARKS.**

If it becomes advisable at any time in COMPANY's sole discretion for COMPANY and/or FRANCHISEE to modify or discontinue use of any Mark and/or use one or more additional or substitute trade or service marks, FRANCHISEE agrees to comply with COMPANY's directions to modify or otherwise discontinue the use of such Mark and/or use one or more additional or substitute trade or service marks within a reasonable time after notice thereof by COMPANY. COMPANY shall reimburse FRANCHISEE for FRANCHISEE's reasonable direct expenses in modifying or discontinuing the use of a Mark and substituting therefor a different trademark or service mark; provided, however, that COMPANY shall not be obligated to reimburse FRANCHISEE for any loss of goodwill associated with any modified or discontinued Mark or for

any expenditures made by FRANCHISEE to promote a modified or substitute trademark or service mark.

**D. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

FRANCHISEE shall immediately notify COMPANY of any apparent infringement of or challenge to FRANCHISEE's use of any Mark, or claim by any person of any rights in any Mark, and FRANCHISEE shall not communicate with any person other than COMPANY or its counsel in connection with any such infringement, challenge or claim. COMPANY shall have sole discretion to take such action as it deems appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. FRANCHISEE agrees to execute any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of COMPANY's counsel, may be necessary or advisable to protect and maintain COMPANY's interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain COMPANY's interests in the Marks.

**5. FEES.**

**A. FRANCHISE FEE.**

FRANCHISEE shall pay COMPANY a nonrecurring franchise fee in the amount of Sixty Thousand Dollars (\$60,000.00), upon execution of this Agreement. The franchise fee shall be fully earned by COMPANY when paid and is nonrefundable.

**B. ROYALTY FEE.**

FRANCHISEE agrees to pay COMPANY a royalty fee in the amount of two percent (2%) of the RESTAURANT's Gross Revenue during the term of this Agreement, payable on or before the tenth (10th) day of the month following the month for which they are due. Without limiting any of COMPANY's rights and remedies hereunder or otherwise available under applicable law, if FRANCHISEE fails to pay the monthly royalty fee in a timely fashion, COMPANY shall have the right to require FRANCHISEE to pay the royalty fee on a weekly basis.

**C. DEFINITION OF "GROSS REVENUE".**

As used in this Agreement, the term "Gross Revenue" shall mean and include the aggregate amount of all sales of food, beverages, products and services made and rendered in connection with the operation of the RESTAURANT, including sales made at or away from the RESTAURANT, whether for cash or credit, but excluding all federal, state or municipal sales or service taxes, or other similar taxes, collected from customers and paid to the appropriate taxing authority.

**D. PENALTY & INTEREST ON LATE PAYMENTS.**

All royalty fees, Marketing Fund contributions (as provided in Section 12 below), amounts due for purchases by FRANCHISEE from COMPANY or its affiliates and other amounts which



FRANCHISEE owes to COMPANY or its affiliates shall bear interest after their due date at the highest applicable legal rate for open account business credit, not to exceed one and one-half percent (1.5%) per month. In addition, as to amounts which FRANCHISEE owes to COMPANY or its affiliates which are more than sixty (60) days past due, there shall be imposed additionally a charge of five percent (5%) of the amount past due. FRANCHISEE acknowledges that this Paragraph shall not constitute COMPANY's or its affiliates' agreement to accept such payments after they are due or a commitment by COMPANY or its affiliates to extend credit to or otherwise finance operation of the RESTAURANT. Further, FRANCHISEE acknowledges that FRANCHISEE's failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 17.B. hereof, notwithstanding the provisions of this Paragraph.

**E. APPLICATION OF PAYMENTS.**

Notwithstanding any designation by FRANCHISEE, COMPANY shall have sole discretion to apply any payments by FRANCHISEE to any of FRANCHISEE's past due indebtedness for royalty fees, Marketing Fund contributions, purchases from COMPANY or its affiliates, interest or any other indebtedness.

**6. CONFIDENTIAL INFORMATION.**

COMPANY possesses certain confidential information (the "Confidential Information") relating to the operation of THE ORIGINAL PANCAKE HOUSE restaurants, which includes:

- (1) site selection criteria;
- (2) methods, techniques, formats, specifications, systems, procedures and knowledge of and experience in the development and operation of THE ORIGINAL PANCAKE HOUSE restaurants;
- (3) COMPANY's formulae and recipes, and the ingredients necessary to prepare food for the RESTAURANT according to COMPANY's formulae and recipes;
- (4) ingredients of the Stabilizer Base (as defined below);
- (5) knowledge of specifications for certain food products, materials, supplies, equipment, furnishings and fixtures, and suppliers thereof; and
- (6) knowledge of operating results and financial performance of THE ORIGINAL PANCAKE HOUSE restaurants.

COMPANY may disclose certain Confidential Information to FRANCHISEE in the initial training program and subsequent training, the Operating Manual and in guidance furnished to FRANCHISEE during the term of the Franchise. FRANCHISEE acknowledges and agrees that FRANCHISEE will not acquire any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to FRANCHISEE in the operation of the RESTAURANT during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition.

FRANCHISEE agrees that COMPANY and its affiliates shall have the perpetual right to use and authorize other THE ORIGINAL PANCAKE HOUSE restaurants to use, and FRANCHISEE shall fully and promptly disclose to COMPANY, all ideas, concepts, formulas, recipes, methods and techniques relating to the development and/or operation of a restaurant specializing in pancakes and similar food products conceived or developed by FRANCHISEE and/or FRANCHISEE's employees during the term of this Agreement.

FRANCHISEE acknowledges and agrees that Confidential Information is proprietary, includes trade secrets of COMPANY and is disclosed to FRANCHISEE solely on the condition that FRANCHISEE agrees, and FRANCHISEE does hereby agree, that FRANCHISEE: (1) will not use Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of Confidential Information disclosed in written or videotape form; and (4) will adopt and implement all reasonable procedures that COMPANY prescribes from time to time to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure thereof to FRANCHISEE's employees, requiring all owners of FRANCHISEE and all employees who have access to Confidential Information to enter into non-disclosure and non-competition agreements ("Confidentiality Agreements") with FRANCHISEE and COMPANY prior to the disclosure thereof in the form specified by COMPANY from time to time. COMPANY's current form of Confidentiality Agreement is attached hereto as Exhibit B.

FRANCHISEE represents and warrants that each current employee of FRANCHISEE who shall have access to the Confidential Information and each owner of FRANCHISEE has entered into a Confidentiality Agreement concurrently with the execution hereof. FRANCHISEE agrees that FRANCHISEE and its owners and employees shall not disclose the Confidential Information to any person who has not entered into a Confidentiality Agreement, and that after the execution of this Agreement FRANCHISEE shall cause each owner or employee who will have access to the Confidential Information and who has not previously done so, to enter into a Confidentiality Agreement in the form then specified by COMPANY on or before the date such person receives disclosure of the Confidential Information, or acquires an ownership interest in FRANCHISEE, whichever is earlier. FRANCHISEE shall promptly notify COMPANY of the name of any such person required to execute a Confidentiality Agreement pursuant hereto and such person's position with and/or interest in FRANCHISEE and shall send original execution copies of such Confidentiality Agreements to COMPANY within twenty (20) days after their execution.

FRANCHISEE acknowledges and agrees that the failure of any person or entity restricted by this Section to comply with this Section or any applicable Confidentiality Agreement shall constitute a material breach of this Agreement by FRANCHISEE, without regard to whether the noncomplying person or entity is a party to or a guarantor of this Agreement.

## **7. EXCLUSIVE RELATIONSHIP.**

FRANCHISEE acknowledges and agrees that COMPANY would be unable to protect Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among THE ORIGINAL PANCAKE HOUSE restaurants if franchised owners of THE ORIGINAL PANCAKE HOUSE restaurants were permitted to hold

interests in or perform services for a Competitive Business, as defined below. FRANCHISEE therefore agrees that, during the term of this Agreement, neither FRANCHISEE, any of FRANCHISEE's owners nor any member of his, her or their immediate families shall:

- (a) have any direct or indirect interest as a legal or beneficial owner in a Competitive Business in the U.S.A. or Canada, or within a 15 mile radius of any OPH restaurant;
- (b) perform services as a director, officer, manager, employee, consultant, representative, agent or in any other capacity for a Competitive Business; or

The term "Competitive Business" as used in this Agreement shall mean any business, other than a THE ORIGINAL PANCAKE HOUSE restaurant operated pursuant to a franchise agreement with COMPANY, which operates or grants franchises or licenses to others to operate a restaurant offering for sale pancakes, crepes, waffles, omelettes and/or similar food items or any similar food service business. Notwithstanding the foregoing, FRANCHISEE shall not be prohibited from owning shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding.

FRANCHISEE acknowledges and agrees that the failure of any person or entity restricted by this Section to comply with this Section or any applicable Confidentiality Agreement shall constitute a material breach of this Agreement by FRANCHISEE, without regard to whether the noncomplying person or entity is a party to or a guarantor of this Agreement.

It is agreed that COMPANY's damages as a result of FRANCHISEE's or its owners violation of paragraph (a) of this Section would be difficult or impossible to ascertain and COMPANY shall therefore be entitled to recover from FRANCHISEE and/or its owners, in addition to all other legal and equitable remedies available to COMPANY, five percent (5%) of the Gross Revenue of any such Competitive Business for the period during which FRANCHISEE and/or its owners violate paragraph (a) of this Section.

## 8. **SYSTEM STANDARDS.**

FRANCHISEE acknowledges and agrees that the operation of the RESTAURANT in accordance with the specifications, standards, operating procedures and rules COMPANY prescribes for the operation of THE ORIGINAL PANCAKE HOUSE restaurants (the "System Standards") is the essence of this Agreement and essential to preserve the goodwill of the Marks. Therefore, FRANCHISEE agrees that, at all times during the term of this Agreement, FRANCHISEE will maintain and operate the RESTAURANT in accordance with each and every System Standard, as periodically modified and supplemented by COMPANY in its discretion during the term of this Agreement. System Standards may (except as specifically set forth below) regulate any aspect of the RESTAURANT's development, operation and maintenance, including any one or more of the following:

- (a) design, layout, decor, appearance and lighting; periodic maintenance, cleaning and sanitation; replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting, redecorating and remodeling of the Premises and the frequency of such painting, redecorating and remodeling; use of interior and exterior signs,

emblems, lettering and logos and the illumination thereof; and periodic modifications of the Premises in accordance with COMPANY's plans, specifications and directions, at such time or times as COMPANY requires;

(b) types, models, brands, maintenance and replacement of required equipment, fixtures, furnishings and signs;

(c) products and services which are approved, disapproved and required for sale by the RESTAURANT;

(d) designated and approved brands of equipment, fixtures, furnishings, signs, food products, materials and supplies;

(e) required and authorized vending machines;

(f) terms and conditions of sale and delivery of and payment for products, materials, supplies and services sold by COMPANY, its affiliates or unaffiliated suppliers;

(g) marketing, advertising and promotional activities and materials required or authorized for use;

(h) use of the Marks;

(i) the use of COMPANY's copyrighted and confidential materials including, without limitation, the Operating Manual and menu;

(j) standards and procedures for FRANCHISEE's and FRANCHISEE's employees' and other representatives' authorization to use, and use of, blogs, common social networks like Facebook, professional networks like Linked-In, live-blogging tools like Twitter, virtual worlds, file, audio and video sharing sites like Pinterest and Instagram, and other similar social networking or media sites or tools (collectively, "Social Media") that in any way reference the Marks or involve the RESTAURANT;

(k) qualifications of managers, training, dress and appearance of employees (provided that FRANCHISEE is solely responsible for all of your hiring decisions and your employees' terms and conditions of employment);

(l) minimum hours of operation;

(m) management by full-time managers who have successfully completed COMPANY's training program;

(n) acceptance of credit and debit cards, other payment systems and check verification services;

(o) bookkeeping, accounting, and record keeping systems and forms; methods, formats, content and frequency of reports to COMPANY of sales, revenues, financial performance and condition, tax returns and other operating and financial information;

(p) types, amounts, terms and conditions of insurance coverage; COMPANY's rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to COMPANY; periodic verification of such coverage that must be furnished to COMPANY; COMPANY's right to defend claims; and similar matters relating to insured and uninsured claims;

(q) maximum, minimum or other pricing requirements for products and services that the RESTAURANT offers, including requirements for promotions, special offers and discounts in which some or all THE ORIGINAL PANCAKE HOUSE restaurants participate, in each case to the maximum extent the law allows; and

(r) regulation of such other elements and aspects of the appearance, operation and conduct of business by THE ORIGINAL PANCAKE HOUSE restaurants as COMPANY determines from time to time, in its sole discretion, that COMPANY determines to be useful to preserve or enhance the efficient operation, image or goodwill of THE ORIGINAL PANCAKE HOUSE restaurants and the Marks.

If FRANCHISEE proposes to use any brands, types, models of fixtures, furnishings, equipment, signs, food products, materials and supplies which are regulated under the System Standards and which COMPANY has not previously approved, FRANCHISEE must submit a written request to COMPANY for approval of such item and must submit a sample of the same to COMPANY at its principal business address for examination and testing prior to their use in the RESTAURANT. COMPANY will notify the FRANCHISEE within thirty (30) days of its receipt of the sample from FRANCHISEE or its proposed supplier whether or not the item and/or supplier has been approved. COMPANY has the right to charge reasonable inspection and supervision fees to cover the costs it incurs in determining whether such items meet the System Standards.

The System Standards do not include any employment-related policies or procedures that COMPANY (at its option) may make available to FRANCHISEE in the Operations Manual or otherwise for FRANCHISEE's optional use. FRANCHISEE shall determine to what extent, if any, these policies and procedures may be applicable to FRANCHISEE's operations at THE ORIGINAL PANCAKE HOUSE Restaurant. COMPANY and FRANCHISEE recognize that COMPANY neither dictates nor controls labor or employment matters for franchisees and their employees.

FRANCHISEE agrees that System Standards may be periodically modified by COMPANY and that such modifications may obligate FRANCHISEE to invest additional capital in the RESTAURANT and/or incur higher operating costs. COMPANY will not obligate FRANCHISEE to invest additional capital at a time when such investment cannot in COMPANY's reasonable judgment be amortized during the remaining term of this Agreement. FRANCHISEE hereby agrees that System Standards prescribed from time to time in the Operating Manual, or otherwise communicated to FRANCHISEE in writing, shall constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement shall include all System Standards as periodically modified.

9. **USE OF SECRET INGREDIENTS.**

FRANCHISEE acknowledges and agrees that the stabilizer base specified by COMPANY for use in the preparation of pancakes and similar food items sold by THE ORIGINAL PANCAKE HOUSE restaurants (the “Stabilizer Base”) is distinctive and proprietary as a result of being specially produced pursuant to a secret formula and that the use of the Stabilizer Base is critical to the maintenance of the standards of quality of the products sold by THE ORIGINAL PANCAKE HOUSE restaurants. FRANCHISEE therefore agrees that FRANCHISEE will use the Stabilizer Base in products sold by the RESTAURANT in the manner prescribed by COMPANY. COMPANY will sell to FRANCHISEE, on COMPANY’s then current standard terms and conditions, such reasonable amounts of the Stabilizer Base as FRANCHISEE may order from time to time. FRANCHISEE agrees that FRANCHISEE will use the Stabilizer Base purchased from COMPANY solely in the operation of the RESTAURANT. FRANCHISEE further agrees that FRANCHISEE will not duplicate the Stabilizer Base, for FRANCHISEE’s own use or for resale to others, and that unauthorized use or sale of the Stabilizer Base or duplication thereof for any reason would constitute a material breach of this Agreement.

10. **COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.**

FRANCHISEE shall secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the RESTAURANT. FRANCHISEE shall operate the RESTAURANT in full compliance with all applicable laws, ordinances and regulations, including, without limitation, laws relating to worker’s compensation insurance, unemployment insurance, and withholding and payment of federal, state and local income taxes, social security taxes and sales taxes. All advertising by FRANCHISEE shall be completely factual, in good taste in the judgment of COMPANY and shall conform to high standards of ethical advertising. FRANCHISEE shall in all dealings with its customers, suppliers, COMPANY and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct. FRANCHISEE agrees to refrain from any business or advertising practice which may be injurious to the business of COMPANY and the goodwill associated with the Marks and other THE ORIGINAL PANCAKE HOUSE restaurants. FRANCHISEE shall notify COMPANY in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality which concerns the FRANCHISEE or the RESTAURANT.

11. **INSURANCE.**

During the term of this Agreement, FRANCHISEE must maintain in force at FRANCHISEE’s sole expense comprehensive public liability, general liability, product liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the RESTAURANT’s operation, all containing the minimum liability coverage COMPANY prescribes from time to time. COMPANY may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name COMPANY and any affiliates COMPANY designates as additional named

insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. FRANCHISEE routinely must furnish to COMPANY copies of FRANCHISEE's Certificates of Insurance or other evidence of FRANCHISEE maintaining this insurance coverage and paying premiums. If FRANCHISEE fails or refuse to obtain and maintain the insurance COMPANY specifies, in addition to COMPANY's other remedies, COMPANY may (but need not) obtain such insurance for FRANCHISEE and the RESTAURANT on FRANCHISEE's behalf, in which event FRANCHISEE shall cooperate with COMPANY and reimburse COMPANY for all premiums, costs and expenses COMPANY incurs in obtaining and maintaining the insurance, plus a reasonable fee for COMPANY's time incurred in obtaining such insurance.

## 12. **MARKETING AND PROMOTION.**

### A. **BY COMPANY.**

Recognizing the value of advertising to the goodwill and public image of THE ORIGINAL PANCAKE HOUSE restaurants, COMPANY may, in its sole discretion, establish, maintain and administer national and/or regional advertising funds (the "Marketing Fund") for such advertising and related programs as COMPANY may deem necessary or appropriate in its sole discretion. In the event that COMPANY establishes the Marketing Fund, FRANCHISEE shall contribute to the Marketing Fund, upon thirty (30) days' prior written notice from COMPANY, up to one percent (1%) of the RESTAURANT's Gross Revenue during the term of this Agreement, such contributions to be payable monthly together with the royalty fees due hereunder. THE ORIGINAL PANCAKE HOUSE restaurants owned by COMPANY and its affiliates shall contribute to the Marketing Fund on the same basis as FRANCHISEE.

In the event that COMPANY, in its sole discretion, establishes the Marketing Fund, the following provisions shall govern the administration of the Marketing Fund:

(1) COMPANY shall direct all marketing programs financed by the Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used therein, and the geographic, market and media placement and allocation thereof. FRANCHISEE agrees that the Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering multiregional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist therewith; and supporting public relations, market research and other advertising and marketing activities. COMPANY shall furnish FRANCHISEE with samples of marketing, advertising and promotional formats and materials at COMPANY's direct cost of producing them, plus any related shipping, handling and storage charges.

(2) The Marketing Fund shall be accounted for separately from COMPANY's other funds and shall not be used to defray any of COMPANY's general operating expenses, except for such reasonable salaries, administrative costs and overhead as COMPANY may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs, including, without limitation, conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Marketing Fund. COMPANY may spend in any fiscal year an amount greater or less than the aggregate contribution

of all THE ORIGINAL PANCAKE HOUSE restaurants to the Marketing Fund in that year and COMPANY may cause the Marketing Fund to borrow from COMPANY or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs incurred by the Marketing Fund before other assets of the Marketing Fund are expended. A statement of monies collected and costs incurred by the Marketing Fund shall be prepared annually by COMPANY and shall be furnished to FRANCHISEE upon written request. COMPANY will have the right to cause the Marketing Fund to be incorporated or operated through an entity separate from COMPANY at such time as COMPANY deems appropriate, and such successor entity shall have all rights and duties of COMPANY pursuant to this Paragraph.

(3) COMPANY reserves the right to suspend contributions to and operations of the Marketing Fund for one or more periods, and the right to terminate the Marketing Fund, upon thirty (30) days' written notice to FRANCHISEE. All unspent monies on the date of termination shall be distributed to COMPANY's franchisees in proportion to their respective contributions to the Marketing Fund during the preceding twelve (12) month period. COMPANY shall have the right to reinstate the Marketing Fund upon the same terms and conditions set forth herein upon thirty (30) days' prior written notice to FRANCHISEE.

FRANCHISEE understands and acknowledges that the purpose of the Marketing Fund would be to maximize recognition of the Marks and patronage of THE ORIGINAL PANCAKE HOUSE restaurants. Although COMPANY will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all THE ORIGINAL PANCAKE HOUSE restaurants, COMPANY undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Marketing Fund by THE ORIGINAL PANCAKE HOUSE restaurants operating in that geographic area or that any THE ORIGINAL PANCAKE HOUSE restaurant will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this Paragraph, COMPANY assumes no direct or indirect liability or obligation to FRANCHISEE with respect to the maintenance, direction or administration of the Marketing Fund.

**B. BY FRANCHISEE.**

In addition to FRANCHISEE's required contributions to the Marketing Fund as described above, COMPANY reserves the right to require FRANCHISEE to spend monthly for advertising and promotion of the RESTAURANT not less than one percent (1%) of the RESTAURANT's Gross Revenue. In the event COMPANY so requires such advertising and promotional expenditures, COMPANY may review, at such times as it deems appropriate, FRANCHISEE's books and records relating to its expenditures for advertising and promotion. If COMPANY determines from any such review that FRANCHISEE has not spent the requisite amount for advertising and promotion, COMPANY may require FRANCHISEE to pay such unexpended amounts into the Marketing Fund. COMPANY requires that samples of any FRANCHISEE advertising and promotional materials be submitted to COMPANY for inspection and that FRANCHISEE not use any advertising or promotional materials which COMPANY disapproves in writing within ten (10) days of receipt from FRANCHISEE by COMPANY.



C. **WEB SITE/SOCIAL MEDIA**

COMPANY has established a web site (the "Website") listed on the Internet. The existence, contents and use of the Website shall be under the control of COMPANY. COMPANY shall retain all rights relating to the Website or other listing and may alter or terminate the Website from time to time at its sole option. FRANCHISEE agrees not to establish or participate in the establishment or maintenance of any web site or social media regarding or relating to the RESTAURANT without the prior written consent of COMPANY, which shall be in the sole and complete discretion of COMPANY. For the avoidance of doubt, and pursuant to Section 4.B above, if COMPANY consents to FRANCHISEE's establishment or maintenance of a web site or social media account regarding or relating to the RESTAURANT, FRANCHISEE agrees that FRANCHISEE will not use any Mark (or any modification of a Mark) as part of any domain name, electronic address, metatag or otherwise in connection with any such website or other electronic medium without the prior written consent of COMPANY.

13. **ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS.**

FRANCHISEE shall establish and maintain at FRANCHISEE's own expense a bookkeeping, accounting, and recordkeeping system which shall conform to the requirements and formats that COMPANY may prescribe from time to time. FRANCHISEE shall furnish to COMPANY on such forms that COMPANY may prescribe from time to time:

(1) within ten (10) days after the end of each calendar month, a report on the RESTAURANT's Gross Revenue for the previous calendar month;

(2) within fifteen (15) days after the end of each calendar month, a profit and loss statement for the RESTAURANT for the previous month and for the year-to-date and a statement of financial condition as of the end of the previous month;

(3) within fifteen (15) days after the end of each six (6) calendar month period, a balance sheet for the RESTAURANT as of the end of that semi-annual period;

provided however, and without affecting any other rights or remedies COMPANY may have, that sub-paragraphs (2) and (3) shall apply only if FRANCHISEE is (6) six months or more in arrears in the payment of any financial obligation due COMPANY;

Each report and financial statement shall be signed and verified by FRANCHISEE in the manner COMPANY prescribes. COMPANY shall have the right to disclose data derived from such sales reports. COMPANY reserves the right to require FRANCHISEE to have audited or reviewed financial statements prepared on an annual basis.

14. **INSPECTIONS AND AUDITS.**

A. **COMPANY'S RIGHT TO INSPECT THE RESTAURANT.**

To determine whether FRANCHISEE and the RESTAURANT are complying with this Agreement and with all System Standards, COMPANY or its designated agents shall have the right at any reasonable time and without prior notice to FRANCHISEE to:

- (1) inspect the Premises;
- (2) observe, photograph and video tape the RESTAURANT's operations for such consecutive or intermittent periods as COMPANY deems necessary;
- (3) remove samples of any food products, materials or supplies for testing and analysis;
- (4) interview personnel of the RESTAURANT;
- (5) interview customers of the RESTAURANT; and
- (6) inspect and copy any books, records and documents relating to the operation of the RESTAURANT.

FRANCHISEE agrees to cooperate fully with COMPANY in connection with any such inspections, observations, photographing, video taping, product removal and interviews. FRANCHISEE shall present to FRANCHISEE's customers such evaluation forms as COMPANY periodically prescribes and shall participate and/or request FRANCHISEE's customers to participate in any surveys performed by or on behalf of COMPANY.

**B. COMPANY'S RIGHT TO AUDIT.**

COMPANY shall have the right at any time during business hours, and without prior notice to FRANCHISEE, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the RESTAURANT and the books and records of any corporation or partnership which holds the Franchise. FRANCHISEE shall fully cooperate with COMPANY's representatives and independent accountants hired by COMPANY to conduct any such inspection or audit. In the event any inspection or audit discloses an understatement of the RESTAURANT's Gross Revenue, FRANCHISEE shall pay to COMPANY, within fifteen (15) days after receipt of the inspection or audit report, the royalty fees and Marketing Fund contributions due on the amount of such understatement, plus interest (at the rate and on the terms provided in Section 5.D. hereof) from the date originally due until the date of payment. Further, in the event such inspection or audit is made necessary by FRANCHISEE's failure to furnish reports, supporting records or other information as herein required, or to furnish such reports, records or information on a timely basis, or if an understatement of Gross Revenue for the period of any audit is determined by any such audit or inspection to be greater than two percent (2%), FRANCHISEE shall reimburse COMPANY for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of COMPANY's employees. The foregoing remedies shall be in addition to COMPANY's other remedies and rights under this Agreement or applicable law.

15. **TRANSFER.**

A. **BY COMPANY.**

FRANCHISEE represents that FRANCHISEE has not signed this Agreement in reliance on any owner's, officer's or employee's remaining with COMPANY in that capacity. COMPANY may change its ownership or form and/or assign this Agreement and any other agreement between COMPANY and FRANCHISEE (or any of FRANCHISEE's owners or affiliates) without restriction. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to COMPANY's interest in it. After COMPANY's assignment of this Agreement to a third party who expressly assumes COMPANY's obligations under this Agreement, COMPANY no longer will have any performance or other obligations under this Agreement. Such an assignment shall constitute a release of COMPANY and novation with respect to this Agreement, and the assignee shall be liable to FRANCHISEE as if it had been an original party to this Agreement.

B. **FRANCHISEE MAY NOT TRANSFER WITHOUT APPROVAL OF COMPANY.**

FRANCHISEE understands and acknowledges that the rights and duties created by this Agreement are personal to FRANCHISEE (or, if FRANCHISEE is a corporation or partnership, to its owners) and that COMPANY has granted the Franchise to FRANCHISEE in reliance upon COMPANY's perceptions of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of FRANCHISEE (or its owners). Accordingly, neither this Agreement (or any interest therein) nor any part or all of the ownership of FRANCHISEE or the RESTAURANT (or any interest therein) may be transferred without COMPANY's prior written approval. Any transfer without such approval shall constitute a breach of this Agreement and be void and of no effect. As used in this Agreement, the term "transfer" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift, pledge or other disposition by FRANCHISEE (or any of its owners) of any interest in:

- (1) this Agreement;
- (2) the ownership of FRANCHISEE; or
- (3) the RESTAURANT.

An assignment, sale, gift or other disposition shall include the following events:

- (1) transfer of ownership of capital stock or a partnership interest;
- (2) merger or consolidation or issuance of additional securities representing an ownership interest in FRANCHISEE;
- (3) any sale of stock of FRANCHISEE or any security convertible to stock of FRANCHISEE or other grant of an ownership interest in FRANCHISEE;

(4) transfer of an interest in FRANCHISEE, this Agreement or the RESTAURANT in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or

(5) transfer of an interest in FRANCHISEE, this Agreement or the RESTAURANT in the event of the death of FRANCHISEE or an owner of FRANCHISEE by will, declaration of or transfer in trust or under the laws of intestate succession.

**C. CONDITIONS FOR APPROVAL OF TRANSFER.**

If FRANCHISEE and its owners are in full compliance with this Agreement and all other agreements with COMPANY, COMPANY shall not unreasonably withhold its approval of a transfer that meets all the applicable requirements of this Paragraph. Franchisor will not approve any public offering of stock including any interest in the Franchise or Restaurant. The proposed transferee and its owners must be individuals of good moral character and otherwise meet COMPANY's then applicable standards for THE ORIGINAL PANCAKE HOUSE restaurant franchisees. A transfer of ownership in the RESTAURANT may only be made in conjunction with a transfer of this Agreement. If the transfer is of this Agreement or a controlling interest in FRANCHISEE, or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement or a controlling interest in FRANCHISEE, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

(1) the transferee shall have sufficient business experience, aptitude and financial resources to operate the RESTAURANT;

(2) FRANCHISEE shall have paid such royalty fees, Marketing Fund contributions, amounts owed for purchases by FRANCHISEE from COMPANY and its affiliates and all other amounts owed to COMPANY or its affiliates and third-party creditors which are then due and unpaid and submit to COMPANY all required reports and statements which are then due and have not been submitted;

(3) the transferee shall execute COMPANY's then current form of franchise agreement and such ancillary documents as are customarily used by COMPANY in the grant of franchises for the operation of THE ORIGINAL PANCAKE HOUSE restaurants;

(4) the transferee and/or its management personnel agree to complete COMPANY's training program to COMPANY's satisfaction;

(5) FRANCHISEE or the transferee agrees to pay COMPANY a transfer fee in the amount of Two Thousand Five Hundred dollars (\$2,500);

(6) FRANCHISEE (and its transferring owners) executes a general release, in form satisfactory to COMPANY, of any and all claims against COMPANY and its affiliates and their officers, directors, employees and agents;

(7) COMPANY approves the material terms and conditions of such transfer, including, without limitation, that the price and terms of payment are not so burdensome as to affect adversely the transferee's operation of the RESTAURANT;

(8) if FRANCHISEE finances any part of the sale price of the transferred interest, FRANCHISEE and/or its owners agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by FRANCHISEE or its owners in the assets of the RESTAURANT or the Premises shall be subordinate to the transferee's obligations to pay royalty fees, Marketing Fund contributions and other amounts due to COMPANY and its affiliates and otherwise to comply with the transferee's obligations to COMPANY;

(9) FRANCHISEE and its owners execute a noncompetition covenant in favor of COMPANY and the transferee agreeing that, for a period of one (1) year commencing on the effective date of the transfer, FRANCHISEE, its transferring owners and members of the immediate families of FRANCHISEE and each of its transferring owners will not:

(a) hold any direct or indirect interest as a legal or beneficial owner in a Competitive Business; or

(b) perform services as a director, officer, manager, employee, consultant, representative or agent, or in any other capacity, in a Competitive Business located or operating within a fifteen (15) mile radius of the Premises or within a fifteen (15) mile radius of any other THE ORIGINAL PANCAKE HOUSE restaurant; and

(10) if consent is required, the lessor of the Premises consents to the assignment or sublease of the Premises to the transferee.

**D. TRANSFER TO A WHOLLY-OWNED CORPORATION.**

Subject to the conditions set forth in Subparagraphs (2), (5) and (6) above, and if FRANCHISEE and its owners are in full compliance with this Agreement and all other agreements with COMPANY, FRANCHISEE may transfer this Agreement to a corporation which conducts no business other than the RESTAURANT and in which FRANCHISEE maintains management control and owns and controls one hundred percent (100%) of the equity and voting power of all issued and outstanding capital stock. Transfers of shares in such corporation will be subject to the provisions of Paragraph C of this Section. Notwithstanding anything to the contrary herein, FRANCHISEE shall remain personally liable under this Agreement as if the transfer to such corporation had not occurred. The articles of incorporation, by-laws and other organizational documents of such corporation shall recite that the issuance and assignment of any interest in this Agreement is restricted by the terms of this Agreement, and all issued and outstanding stock certificates of such corporation shall bear a legend reciting or referring to those restrictions.

**E. DEATH OR DISABILITY OF FRANCHISEE.**

Upon the death or permanent disability of FRANCHISEE or, if FRANCHISEE is a corporation or partnership, the owner of a controlling interest in FRANCHISEE, the executor, administrator, conservator, guardian or other personal representative of such person shall transfer his or her interest in this Agreement or such interest in FRANCHISEE to a third party approved by COMPANY. Such disposition of this Agreement or such interest in FRANCHISEE (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, and shall be subject to

all the terms and conditions applicable to transfers contained in this Section. Failure to transfer the interest in this Agreement or such interest in FRANCHISEE within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term “permanent disability” shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent FRANCHISEE or an owner of a controlling interest in FRANCHISEE from supervising the management and operation of the RESTAURANT for a period of six (6) months from the onset of such disability, impairment or condition.

**F. EFFECT OF CONSENT TO TRANSFER.**

COMPANY’s consent to a transfer of this Agreement or any interest in FRANCHISEE or the RESTAURANT shall not constitute a waiver of any claims it may have against FRANCHISEE (or its owners) nor be deemed a waiver of COMPANY’s right to demand the transferee’s exact compliance with any of the terms or conditions of this Agreement.

**G. COMPANY’S RIGHT OF FIRST REFUSAL.**

If FRANCHISEE (or its owners) shall at any time determine to sell an interest in this Agreement or an ownership interest in FRANCHISEE or the RESTAURANT, FRANCHISEE (or its owners) shall obtain a bona fide, executed written offer and earnest money deposit (in the amount of five percent (5%) or more of the offering price) from a responsible and fully disclosed purchaser and shall immediately submit to COMPANY a true and complete copy of such offer, which shall include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. The offer must apply only to an interest in this Agreement, FRANCHISEE or the RESTAURANT and may not include an offer to purchase any other property or rights of FRANCHISEE (or its owners). However, if the offer or proposes to buy any other property or rights from FRANCHISEE (or its owners) under a separate, contemporaneous offer, the price and terms of purchase offered to FRANCHISEE (or its owners) for the interest in this Agreement, FRANCHISEE or the RESTAURANT shall reflect the bona fide price offered therefor and shall not reflect any value for any other property or rights.

COMPANY shall have the right, exercisable by written notice delivered to FRANCHISEE or its owners within sixty (60) days from the date of delivery of an exact copy of such offer to COMPANY, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that COMPANY may substitute cash for any form of payment proposed in such offer, COMPANY’s credit shall be deemed equal to the credit of any proposed purchaser and COMPANY shall have not less than thirty (30) days to prepare for closing. COMPANY shall be entitled to purchase such interest subject to all customary representations and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to ownership, condition of and title to stock and/or assets; liens and encumbrances relating to the stock and/or assets; validity of contracts and amount and nature of liabilities, contingent or otherwise.

If COMPANY does not exercise its right of first refusal, FRANCHISEE or its owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to COMPANY’s approval of the transfer as provided in Paragraphs B and C of this Section, provided that if the sale to such purchaser is not completed within one hundred twenty (120) days after

delivery of such offer to COMPANY, or if there is a material change in the terms of the sale, COMPANY shall have an additional right of first refusal for sixty (60) days on the same terms and conditions as are applicable to the initial right of first refusal.

16. **EXPIRATION OF THIS AGREEMENT.**

A. **FRANCHISEE'S RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.**

Subject to the provisions of this Section, upon expiration of the initial term of this Agreement, if:

(1) FRANCHISEE and its owners have substantially complied with this Agreement and other agreements with COMPANY throughout the term of this Agreement; and

(2) (a) FRANCHISEE maintains possession of and agrees to remodel and/or expand the Premises, add or replace leasehold improvements, equipment, fixtures, furnishings and signs and otherwise modify the RESTAURANT to bring it into compliance with specifications and standards then applicable for THE ORIGINAL PANCAKE HOUSE restaurants, or

(b) if FRANCHISEE is unable to maintain possession of the Premises, or in COMPANY's judgment the RESTAURANT should be relocated, FRANCHISEE secures substitute premises approved by COMPANY and agrees to develop such substitute premises in compliance with specifications and standards then applicable for THE ORIGINAL PANCAKE HOUSE restaurants, and subject to the conditions contained in Paragraph B below, FRANCHISEE shall have the right to acquire a successor franchise for the RESTAURANT on the terms and conditions set forth below.

B. **GRANT OF A SUCCESSOR FRANCHISE.**

FRANCHISEE shall give COMPANY written notice of FRANCHISEE's election to acquire a successor franchise during the seventeenth (17th) year of the term of this Agreement. COMPANY agrees to give FRANCHISEE written notice, not more than one hundred eighty (180) days after receipt of FRANCHISEE's notice, of COMPANY's decision to grant or not to grant a successor franchise (based on the criteria specified in Paragraph A of this Section) to FRANCHISEE and/or its willingness to grant a successor franchise on condition that deficiencies in the RESTAURANT or the Premises, or in FRANCHISEE's operation of the RESTAURANT, are corrected. Such notice shall state the actions FRANCHISEE must take to correct such deficiencies and shall specify the time period in which such deficiencies must be corrected. FRANCHISEE's right to acquire a successor franchise shall be subject to FRANCHISEE's continued compliance with all the terms and conditions of this Agreement up to the date of expiration and may be granted conditionally, subject to remodeling and/or expanding the RESTAURANT, replacement of equipment, fixtures, furnishings and signs, decorating or other obligations with respect to the RESTAURANT or the Premises to be completed after commencement of the term of the successor franchise.

COMPANY shall give FRANCHISEE written notice of a decision not to grant a successor franchise based upon FRANCHISEE's failure to cure deficiencies not less than ninety (90) days

prior to the expiration of this Agreement, provided, however, that COMPANY shall not be required to give such notice to FRANCHISEE if COMPANY decides not to grant a successor franchise due to FRANCHISEE's violation of this Agreement during the ninety (90) day period prior to its expiration. In the event COMPANY fails to give FRANCHISEE:

(1) notice of deficiencies in the RESTAURANT or the Premises, or in FRANCHISEE's operation of the RESTAURANT, within one hundred eighty (180) days after receipt of FRANCHISEE's timely election to acquire a successor franchise; or

(2) notice of COMPANY's decision not to grant a successor franchise (subject to the proviso above) at least ninety (90) days prior to the expiration of this Agreement, COMPANY may extend the term of this Agreement for such period of time as is necessary in order to provide FRANCHISEE reasonable time to correct deficiencies or the ninety (90) days' notice of COMPANY's refusal to grant a successor franchise required hereunder.

C. **AGREEMENTS/RELEASES.**

If COMPANY grants a successor franchise to FRANCHISEE, COMPANY, FRANCHISEE and its owners shall execute the form of franchise agreement and any ancillary agreements COMPANY then customarily uses in granting franchises for the operation of THE ORIGINAL PANCAKE HOUSE restaurants; provided, however, that FRANCHISEE shall not be required to pay the initial franchise fee thereunder. In addition, FRANCHISEE and its owners shall execute general releases, in form satisfactory to COMPANY, of any and all claims against COMPANY and its affiliates and their officers, directors, employees, agents, successors and assigns. Failure by FRANCHISEE and its owners to sign such agreements and releases within sixty (60) days after delivery thereof to FRANCHISEE shall be deemed an election by FRANCHISEE not to acquire a successor franchise.

17. **TERMINATION OF AGREEMENT.**

A. **BY FRANCHISEE.**

If FRANCHISEE and its owners are in compliance with this Agreement and COMPANY materially breaches this Agreement and fails either to cure such breach within sixty (60) days after written notice thereof is delivered to COMPANY or, if the breach cannot reasonably be corrected within sixty (60) days, to provide proof acceptable to FRANCHISEE of efforts which are reasonably calculated to correct such breach within a reasonable time, FRANCHISEE may terminate this Agreement effective ten (10) days after delivery to COMPANY of notice thereof. A termination of this Agreement by FRANCHISEE for any other reason shall be deemed a termination by FRANCHISEE without cause and a breach of this Agreement.

B. **BY COMPANY.**

Notwithstanding any other provision of this Agreement, if FRANCHISEE fails to commence operation of the RESTAURANT within three hundred and sixty (360) days after the execution of this Agreement, or, if no site has been selected as of the execution of this Agreement, then within three (3) years from the date of this Agreement, or three hundred and sixty (360) days after COMPANY's approval of a site proposed by FRANCHISEE, whichever is less, or if



FRANCHISEE (or a Controlling owner) fails to complete all phases of the initial training program to COMPANY's satisfaction, COMPANY shall have the right to terminate this Agreement effective upon delivery of notice of termination to FRANCHISEE.

COMPANY shall have the further right to terminate this Agreement, effective upon delivery of notice of termination to FRANCHISEE, if FRANCHISEE (or any of its owners, as applicable):

(1) abandons or fails actively to operate the RESTAURANT for five (5) consecutive days unless the RESTAURANT has been closed for a purpose approved by COMPANY or because of fire, flood or other casualty or government order;

(2) is adjudged bankrupt, becomes insolvent or makes a general assignment for the benefit of creditors;

(3) surrenders or transfers control of the RESTAURANT's operation without COMPANY's prior written consent;

(4) has made any material misrepresentation or omission in his, her or its application for the Franchise;

(5) in the event the lease granting FRANCHISEE the right to occupy the Premises is terminated without fault of FRANCHISEE, fails to relocate the RESTAURANT to other premises approved by COMPANY within one hundred eighty (180) days after the effective date of termination;

(6) is convicted by a trial court of or pleads no contest to a felony or other crime or offense that is likely to affect adversely the goodwill associated with the Marks or engages in any conduct which may adversely affect the reputation of one or more THE ORIGINAL PANCAKE HOUSE restaurants or the goodwill associated with the Marks;

(7) makes an unauthorized assignment of this Agreement, an ownership interest in FRANCHISEE or the RESTAURANT;

(8) makes any unauthorized use or disclosure of any Confidential Information or uses, duplicates or discloses any portion of the Operating Manual in violation of this Agreement, or if any person or entity restricted by the provisions of this Agreement fails to comply with any applicable Confidentiality or noncompetition agreement without regard to whether the noncomplying person or entity is a party to or a guarantor of this Agreement;

(9) fails or refuses to comply with System Standards relating to the cleanliness or sanitation of the RESTAURANT or violates any health, safety or sanitation law, ordinance or regulation and does not correct such noncompliance within seventy-two (72) hours after written notice thereof is delivered to FRANCHISEE;

(10) intentionally understates the RESTAURANT's Gross Revenue in any report or financial statement;

(11) fails to report accurately the RESTAURANT's Gross Revenue or to make payments of any amounts due COMPANY for royalty fees, Marketing Fund contributions or any other amounts due to COMPANY or its affiliates hereunder and does not correct such failure within ten (10) days after written notice of such failure is delivered to FRANCHISEE;

(12) fails to pay any federal or state income, sales or other taxes due on the RESTAURANT's operations;

(13) fails to comply with any other provision of this Agreement or any System Standard and does not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to FRANCHISEE or provide proof acceptable to COMPANY of efforts which are reasonably calculated to correct such failure within a reasonable time, if such failure cannot reasonably be corrected within thirty (30) days after written notice of such failure to comply is delivered to FRANCHISEE; or

(14) fails on two (2) or more separate occasions within any period of twelve (12) consecutive months or on five (5) occasions during the term of this Agreement to submit when due reports or other data, information or supporting records or to pay when due the royalty fees, Marketing Fund contributions or other payments due to COMPANY or its affiliates or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to FRANCHISEE.

**18. RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF FRANCHISE.**

**A. PAYMENT OF AMOUNTS OWED TO COMPANY AND OTHERS.**

FRANCHISEE agrees to pay COMPANY within fifteen (15) days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to COMPANY are determined, such royalty fees, Marketing Fund contributions, amounts owed for purchases by FRANCHISEE from COMPANY or its affiliates, interest due on any of the foregoing and all other amounts owed to COMPANY or its affiliates which are then unpaid.

**B. MARKS.**

FRANCHISEE agrees that, upon the termination or expiration of this Agreement, FRANCHISEE will:

(1) not directly or indirectly at any time or in any manner (except with respect to other THE ORIGINAL PANCAKE HOUSE restaurants owned and operated by FRANCHISEE) identify himself or any business as a current or former THE ORIGINAL PANCAKE HOUSE restaurant, or as a franchisee or licensee of COMPANY or its affiliates, use any Mark, any colorable imitation thereof or other indicia of a THE ORIGINAL PANCAKE HOUSE restaurant in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with COMPANY or its affiliates;

(2) remove from the RESTAURANT all signs, sign-faces, sign-cabinets, advertising materials, forms, invoices and other materials containing any Mark or otherwise identifying or relating to a THE ORIGINAL PANCAKE HOUSE restaurant and allow COMPANY, without liability, to remove all such items from the RESTAURANT;

(3) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to FRANCHISEE's use of any Mark;

(4) if COMPANY does not purchase the RESTAURANT as provided in Paragraph E of this Section, make such changes to the appearance of the RESTAURANT as COMPANY may reasonably prescribe to distinguish the RESTAURANT from THE ORIGINAL PANCAKE HOUSE restaurants;

(5) return all materials and supplies identified by the Marks in full cases or packages to COMPANY for credit and dispose of all other materials and supplies identified by the Marks within thirty (30) days after the effective date of termination or expiration of this Agreement;

(6) notify the telephone company and all telephone directory publishers of the termination or expiration of FRANCHISEE's right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer thereof to COMPANY or its designee. FRANCHISEE acknowledges that, as between him and COMPANY, COMPANY has the sole right to and interest in all telephone numbers and directory listings associated with any Mark. FRANCHISEE authorizes COMPANY, and hereby appoints COMPANY and any of its officers as FRANCHISEE's attorney in fact, to direct the telephone company and all telephone directory publishers to transfer any telephone numbers and directory listings relating to the RESTAURANT to COMPANY or its designee, should FRANCHISEE fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of COMPANY's exclusive rights in such telephone numbers and directory listings and COMPANY's authority to direct their transfer; and

(7) furnish COMPANY, within thirty (30) days after the effective date of termination or expiration, with evidence satisfactory to COMPANY of FRANCHISEE's compliance with the foregoing obligations.

**C. CONFIDENTIAL INFORMATION.**

FRANCHISEE agrees that, upon termination or expiration of this Agreement, FRANCHISEE will immediately cease to use any Confidential Information of COMPANY disclosed to him pursuant to this Agreement in any business or otherwise and return to COMPANY all copies of the Operating Manual and any other confidential materials which have been loaned to him by COMPANY.

**D. COVENANT NOT TO COMPETE.**

Upon termination of this Agreement by COMPANY in accordance with its terms and conditions or by FRANCHISEE without cause, or upon expiration of this Agreement (if COMPANY refuses to grant a successor franchise, or FRANCHISEE elects not to acquire a

successor franchise), FRANCHISEE and its owners agree that, for a period of one (1) year commencing on the effective date of termination or expiration or the date on which FRANCHISEE ceases to conduct business, whichever is later, neither FRANCHISEE nor its owners shall have any direct or indirect interest (through a member of the immediate families of FRANCHISEE or its owners or otherwise) as a legal or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within a fifteen (15) mile radius of the Premises or within a fifteen (15) mile radius of any other THE ORIGINAL PANCAKE HOUSE restaurant.

Notwithstanding the foregoing, FRANCHISEE will not be prohibited from owning shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding. FRANCHISEE and its owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Paragraph will not deprive them of their personal goodwill or ability to earn a living.

FRANCHISEE acknowledges and agrees that the failure of any person or entity restricted by this Paragraph to comply with this Paragraph or any applicable Confidentiality Agreement shall constitute a breach of this Agreement by FRANCHISEE, without regard to whether the noncomplying person or entity is a party to or a guarantor of this Agreement.

It is agreed that COMPANY's damages as a result of FRANCHISEE's or its owner's violation of this Section 18.D would be difficult or impossible to ascertain and COMPANY shall therefore be entitled to recover from FRANCHISEE and/or its owners, in addition to all other legal and equitable remedies available to COMPANY, five percent (5%) of the Gross Revenue of any such Competitive Business for the period during which FRANCHISEE and/or its owners violate this section.

E. **COMPANY'S RIGHT TO PURCHASE RESTAURANT.**

Upon termination of this Agreement by COMPANY in accordance with its terms and conditions or by FRANCHISEE without cause, or upon expiration of this Agreement (if COMPANY refuses to grant a successor franchise, as provided in this Agreement, or FRANCHISEE elects not to acquire a successor franchise), COMPANY or its assignee shall have the option, exercisable by giving written notice thereof within thirty (30) days after the date of such expiration or termination, to purchase from FRANCHISEE all the assets (including, without limitation, usable inventory of food products, materials, supplies, leasehold improvements, fixtures, furnishings, equipment and signs) of the RESTAURANT and receive an assignment of the lease for the Premises (or, if assignment is prohibited, a sublease for the full remaining term and on the same terms and conditions as FRANCHISEE's Lease). If FRANCHISEE owns the Premises, FRANCHISEE shall, at COMPANY's option, lease the Premises to COMPANY or its designee pursuant to a standard commercial lease for a term of ten (10) years with two (2) successive five (5) year renewal options at fair market rental during the initial and renewal terms. COMPANY shall have the unrestricted right to assign this option to purchase. COMPANY or its assignee shall be entitled to all customary warranties and representations in connection with its asset purchase, including, without limitation, representations and warranties as to ownership,

condition of and title to assets; liens and encumbrances on the assets; validity of contracts and amount and nature of liabilities, contingent or otherwise.

The purchase price for the RESTAURANT shall be equal to the greater of:

(1) the sum of the book value of the RESTAURANT's tangible assets amortized on a straight-line basis over a ten (10) year period, plus the lesser of cost and the then-current wholesale market value of all inventory of food products, materials and supplies (that is, in good and saleable condition and not obsolete or discontinued), and

(2) the product of the RESTAURANT's average pre-tax and reinterest profit for the three (3) most recently completed fiscal years multiplied by two (2).

COMPANY and its affiliates shall have the right to set off against and reduce the purchase price by any and all amounts owed by FRANCHISEE to COMPANY and its affiliates. COMPANY may exclude from the assets purchased hereunder any fixtures, furnishings, equipment, signs, products or supplies of the RESTAURANT that COMPANY has not approved as meeting its quality standards for THE ORIGINAL PANCAKE HOUSE restaurants.

The purchase price shall be paid in cash at the closing of the purchase, which shall take place no later than sixty (60) days after receipt by FRANCHISEE of COMPANY's notice of exercise of this option to purchase the RESTAURANT, at which time FRANCHISEE shall deliver instruments transferring to COMPANY or its assignee good and merchantable title to the assets purchased, free and clear of all liens and encumbrances with all sales and other transfer taxes paid by FRANCHISEE, and all licenses or permits of the RESTAURANT which may be assigned or transferred. In the event that FRANCHISEE cannot deliver clear title to all of the purchased assets as aforesaid, or in the event there shall be other unresolved issues, at COMPANY's option, the closing of the sale shall be accomplished through an escrow. Prior to closing, FRANCHISEE and COMPANY shall comply with the applicable Bulk Sales provisions of the Uniform Commercial Code as enacted in the state in which the RESTAURANT is located.

If COMPANY or its assignee exercises this option to purchase, pending the closing of such purchase, COMPANY may appoint a manager to maintain the operation of the RESTAURANT or, at its option, require FRANCHISEE to close the RESTAURANT during such time period without removing any assets. FRANCHISEE shall maintain in force all insurance policies required for the RESTAURANT until the date of closing.

**F. CONTINUING OBLIGATIONS.**

All obligations of COMPANY and FRANCHISEE which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

19. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS.**

It is understood and agreed by the parties hereto that the FRANCHISEE has sole authority and control over the day to day franchise operations in general, and franchise employees in particular, included but not limited to training, wages, benefits, vacations, safety, work schedules, and specific tasks, and that this Agreement does not create a fiduciary relationship between them, but that COMPANY and FRANCHISEE are and shall be independent contractors and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. COMPANY has no relationship with FRANCHISEE's employees and FRANCHISEE has no relationship with COMPANY's employees. FRANCHISEE shall conspicuously identify himself in all dealings with customers, suppliers, public officials, RESTAURANT personnel and others as the owner of the RESTAURANT under a franchise with COMPANY and shall place such prominent notices of independent ownership on such forms, business cards, stationery, advertising and other materials as COMPANY may require from time to time. FRANCHISEE also agrees to communicate clearly with its employees in employment agreements, manuals, handbooks and other materials that FRANCHISEE, and not COMPANY or COMPANY's affiliates, is the employer of all Restaurant employees.

B. **NO LIABILITY FOR ACTS OF OTHER PARTY.**

FRANCHISEE shall not employ any of the Marks in signing any contract or applying for any license or permit or in a manner that may result in COMPANY's liability for any of FRANCHISEE's indebtedness or obligations, nor may FRANCHISEE use the Marks in any way not expressly authorized by COMPANY. Except as expressly authorized in writing, neither COMPANY nor FRANCHISEE shall make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that their relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. COMPANY shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the RESTAURANT or FRANCHISEE's business authorized by or conducted pursuant to this Agreement.

C. **TAXES.**

COMPANY shall have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon FRANCHISEE, the RESTAURANT, FRANCHISEE's property or upon COMPANY, in connection with the sales made or business conducted by FRANCHISEE (except any taxes COMPANY is required by law to collect from FRANCHISEE with respect to purchases from COMPANY). Payment of all such taxes shall be FRANCHISEE's responsibility.

D. **INDEMNIFICATION.**

FRANCHISEE agrees to indemnify, defend and hold harmless COMPANY, its subsidiaries and affiliates and their shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against and to reimburse them for all claims, obligations

and damages described in this Section, any and all taxes described in Paragraph C of this Section and any and all claims and liabilities directly or indirectly arising out of (1) the operation of the RESTAURANT, (2) the business FRANCHISEE conducts under this Agreement, (3) the use of the Marks in any manner not in accordance with this Agreement, (4) FRANCHISEE's breach of this Agreement; (5) FRANCHISEE's noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the RESTAURANT's construction, design or operation, and including any allegation that COMPANY or another Indemnified Party is a joint employer or otherwise responsible for FRANCHISEE's acts or omissions relating to FRANCHISEE's employees; or (6) claims alleging either intentional or negligent conduct, acts or omissions by FRANCHISEE (or FRANCHISEE's or any of its or their employees, agents or representatives), or by COMPANY or COMPANY's affiliates (or COMPANY's or their contractors or any of COMPANY's or their employees, agents or representatives), subject to the following paragraph. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, deposition costs, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. COMPANY shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Despite subsection 18.D(5) above, FRANCHISEE has no obligation to indemnify or hold harmless an Indemnified Party for, and Company will reimburse FRANCHISEE for, any claims to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's willful misconduct or gross negligence, so long as the claim to which those losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employer) or our failure to compel FRANCHISEE to comply with this Agreement. However, nothing in this paragraph limits FRANCHISEE's obligation to defend COMPANY and the other Indemnified Parties under the immediately preceding paragraph.

## 20. **MISCELLANEOUS.**

### A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary herein, 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 of this Agreement is held to be invalid, 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 COMPANY 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, which shall continue to be given full force and effect and bind the parties hereto, although 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 FRANCHISEE is a party to the proceedings, otherwise upon FRANCHISEE's receipt of a notice of non-enforcement thereof from COMPANY. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, FRANCHISEE

and COMPANY agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to enter into a successor franchise Agreement than is required hereunder, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and COMPANY shall have the right, in its sole discretion, to modify such invalid or unenforceable System Standard to the extent required to be valid and enforceable. FRANCHISEE agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or any System Standard, any portion or portions which a court may hold to be unenforceable in a final decision to which COMPANY is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be effective only in such jurisdiction, unless COMPANY elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

**B. WAIVER OF OBLIGATIONS.**

COMPANY and FRANCHISEE may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver granted by COMPANY shall be without prejudice to any other rights COMPANY may have, will be subject to continuing review by COMPANY and may be revoked, in COMPANY's sole discretion, at any time and for any reason, effective upon delivery to FRANCHISEE of ten (10) days' prior written notice.

COMPANY and FRANCHISEE shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal or neglect of COMPANY or FRANCHISEE to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder, including, without limitation, any System Standard; any waiver, forbearance, delay, failure or omission by COMPANY to exercise any right, power or option, whether of the same, similar or different nature, with respect to other THE ORIGINAL PANCAKE HOUSE restaurants; or COMPANY's acceptance of any payments due from FRANCHISEE after any breach of this Agreement.

**C. INJUNCTIVE RELIEF.**

COMPANY and FRANCHISEE shall each have the right in a proper case to obtain temporary or preliminary injunctive relief from a court of competent jurisdiction. FRANCHISEE agrees that COMPANY may have such temporary or preliminary injunctive relief without bond,



but upon due notice, and FRANCHISEE's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). Any such action shall be brought as provided in Paragraph F below.

**D. RIGHTS OF PARTIES ARE CUMULATIVE.**

The rights of COMPANY and FRANCHISEE hereunder are cumulative and no exercise or enforcement by COMPANY or FRANCHISEE of any right or remedy hereunder shall preclude the exercise or enforcement by COMPANY or FRANCHISEE of any other right or remedy hereunder which COMPANY or FRANCHISEE is entitled by law to enforce.

**E. COSTS AND ATTORNEYS' FEES.**

If COMPANY incurs expenses in connection with FRANCHISEE's failure to pay when due amounts owing to COMPANY, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, FRANCHISEE shall reimburse COMPANY for any such costs and expenses which it incurs, including, but not limited to, reasonable legal, arbitrators' accounting and related fees.

**F. GOVERNING LAW/CONSENT TO JURISDICTION.**

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this agreement, the Franchise and the relationship between COMPANY and FRANCHISEE shall be governed by and construed in accordance with the internal laws of the State of Oregon, except that its choice of law and conflict of law rules shall not apply and the Oregon Franchise Investment Law, ORS., {650.005 et seq. (Supp. 1987), as amended, shall not apply unless its jurisdictional requirements are met independently without reference to this paragraph. FRANCHISEE agrees that COMPANY may institute any action against FRANCHISEE in any state or federal court of general jurisdiction in the State of Oregon and FRANCHISEE irrevocably submits to the jurisdiction of such courts and waives any objection FRANCHISEE may have to either the jurisdiction of or venue in such courts.

**G. BINDING EFFECT.**

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest and shall not be modified except by written agreement signed by both FRANCHISEE and COMPANY.

**H. LIMITATIONS OF CLAIMS.**

**ANY AND ALL CLAIMS BY FRANCHISEE AGAINST COMPANY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES HERETO SHALL BE BARRED UNLESS AN ACTION OR LEGAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE FRANCHISEE KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO SUCH CLAIMS.**

**I. WAIVER OF PUNITIVE DAMAGES.**

**EXCEPT WITH RESPECT TO FRANCHISEE'S OBLIGATION TO INDEMNIFY COMPANY PURSUANT TO SECTION 19.D., THE PARTIES WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM SHALL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.**

**J. WAIVER OF JURY TRIAL.**

**COMPANY AND FRANCHISEE HEREBY IRREVOCABLY WAIVE TRIAL BY JURY ON ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.**

**K. CONSTRUCTION.**

The preambles and exhibits are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between COMPANY and FRANCHISEE relating to the subject matter of this Agreement.

Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

Except where this Agreement expressly obligates COMPANY reasonably to approve or not unreasonably to withhold its approval of any action or request by FRANCHISEE, COMPANY has the absolute right to refuse any request by FRANCHISEE or to withhold its approval of any action by FRANCHISEE that requires COMPANY's approval.

The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

The term "affiliate" as used herein is applicable to any company directly or indirectly owned or controlled by, under common control with or owning or controlling COMPANY.

The term "FRANCHISEE" as used herein is applicable to one or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural and each of the masculine and neuter usages include the other and the feminine. If two or more persons are at any time FRANCHISEE hereunder, whether or not as partners or joint ventures, their obligations and liabilities to COMPANY shall be joint and several. References to a Controlling interest in FRANCHISEE shall mean twenty-five percent (25%) or more of the equity and voting control of FRANCHISEE.

The term "RESTAURANT" as used herein includes all of the assets of the THE ORIGINAL PANCAKE HOUSE restaurant operated by FRANCHISEE pursuant to this Agreement.

Nothing in this Agreement or any related agreement is intended to disclaim the franchisor's representations made in the franchise disclosure document.

This Agreement may be executed in multiple copies, each of which shall be deemed an original.

**L. OWNERSHIP AND GUARANTEES.**

Each person who is a shareholder of FRANCHISEE at any time during the term of this Agreement shall execute an "Owner's Guaranty and Assumption of FRANCHISEE's Obligations," or such other agreement that COMPANY prescribes from time to time, undertaking to be bound jointly and severally by all provisions of this Agreement. Failure by an owner of FRANCHISEE to execute such a guaranty or other agreement shall constitute a breach of this Agreement by FRANCHISEE. FRANCHISEE shall furnish to COMPANY at any time upon request, in such form as COMPANY may require, a list of its legal and beneficial shareholders reflecting their respective interests in FRANCHISEE.

**M. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES.**

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 COMPANY, any franchise seller, or any other person acting on behalf of COMPANY. This provision supersedes any other term of any document executed in connection with the franchise.

**21. NOTICES AND PAYMENTS.**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operating Manual shall be deemed so delivered

- (1) at the time delivered by hand;
- (2) one (1) business day after transmission by telegraph or other electronic system;
- (3) one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or
- (4) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid,

and shall be addressed to the parties as follows:

If to COMPANY:           THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.  
8601 Southwest 24th Avenue  
Portland, Oregon 97219

If to FRANCHISEE:       \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Any required payment or report not actually received by COMPANY during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) shall be deemed delinquent.

*[SIGNATURE PAGE TO FOLLOW]*

**IN WITNESS WHEREOF**, the parties hereto have executed, sealed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

\_\_\_\_\_  
FRANCHISEE

**EXHIBIT A**  
**TO THE FRANCHISE AGREEMENT**

**DESIGNATED AREA**

The Designated Area referred to in Section 1.B. of the Franchise Agreement shall be:

Political boundaries described above shall be considered fixed as of the date of this Agreement and shall not change for the purpose hereof notwithstanding a political reorganization or change to such boundaries or regions. All street boundaries shall be deemed to end at the street center line unless otherwise specified above.

**FRANCHISEE**

**THE ORIGINAL PANCAKE HOUSE,  
FRANCHISING, INC.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT B**  
**TO THE FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

THIS AGREEMENT is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and among **THE ORIGINAL PANCAKE HOUSE, FRANCHISING, INC.**, an Oregon corporation, (“COMPANY”), \_\_\_\_\_, (“FRANCHISE OWNER”), \_\_\_\_\_, a resident of \_\_\_\_\_ (“COVENANTOR”).

**WITNESSETH:**

**WHEREAS**, pursuant to the terms of that certain Franchise Agreement between COMPANY and FRANCHISEE dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), COMPANY has granted to FRANCHISEE the right to own and operate a THE ORIGINAL PANCAKE HOUSE Restaurant (the “RESTAURANT”) at \_\_\_\_\_ (the “Premises”) (all capitalized terms not defined herein shall have the respective meanings set forth in the Franchise Agreement);

**WHEREAS**, COVENANTOR is either an owner of FRANCHISEE or an employee of FRANCHISEE who will have access to some or all of the Confidential Information (as defined below) in connection with the operation of the RESTAURANT at the Premises;

**WHEREAS**, in consideration of the grant of the franchise for the RESTAURANT to FRANCHISEE and the employment of COVENANTOR (in the event COVENANTOR is an employee of FRANCHISEE), as a condition precedent to allowing COVENANTOR to have access to the Confidential Information, and as a material term of the Franchise Agreement necessary to protect COMPANY’s ownership interest in and FRANCHISEE’s right to use the Confidential Information, COMPANY and FRANCHISEE require that COVENANTOR enter into this Agreement; and

**WHEREAS**, in consideration of the grant of the franchise for the RESTAURANT to FRANCHISEE and to avoid a material breach thereof, as the case may be, COMPANY, FRANCHISEE and COVENANTOR desire, and deem it to be in COVENANTOR’s personal best interest, that COVENANTOR enter into this Agreement; and

**WHEREAS**, due to the nature of COMPANY’s business, any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause COMPANY and FRANCHISEE substantial harm.

**NOW, THEREFORE**, in consideration of the grant of the franchise for the RESTAURANT to FRANCHISEE and/or to prevent COMPANY from declaring a material breach thereunder, and in consideration of the covenants and mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Recitals.** The recitals set forth above shall be deemed to be incorporated herein as if fully set forth in this Agreement, and this Agreement shall be interpreted in light of such recitals.

2. **Definition of Confidential Information.** As used herein, the term “Confidential Information” shall mean certain confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, procedures and knowledge developed or to be developed or acquired by COMPANY, and its franchisees relating to the operation of THE ORIGINAL PANCAKE HOUSE restaurants (the “Confidential Information”), including, without limitation: (1) site selection criteria; (2) methods, techniques, formats, specifications, systems, procedures and knowledge of and experience in the development and operation of THE ORIGINAL PANCAKE HOUSE restaurants; (3) ingredients necessary to prepare food for the RESTAURANT according to COMPANY’s formulas and recipes; (4) ingredients of the stabilizer base used in the preparation of pancakes and similar food items sold by the RESTAURANT; (5) knowledge of specifications for and suppliers of certain food products, materials, supplies, equipment, furnishings and fixtures; and (6) knowledge of operating results and financial performance of THE ORIGINAL PANCAKE HOUSE restaurants.

3. **Protection of Confidential Information.** COMPANY will disclose to FRANCHISEE certain Confidential Information pursuant to the Franchise Agreement. COVENANTOR acknowledges and agrees that COVENANTOR will not acquire any interest in or right to use the Confidential Information, except the right to use it strictly in accordance with the Franchise Agreement, and that the use or duplication of the Confidential Information in any other business would be detrimental to COMPANY and would constitute an unfair method of competition with COMPANY and other THE ORIGINAL PANCAKE HOUSE restaurant franchise owners. COVENANTOR acknowledges and agrees that the Confidential Information is a valuable asset of COMPANY, is proprietary, includes trade secrets of COMPANY and is disclosed to COVENANTOR by FRANCHISEE solely on the condition that COVENANTOR agrees, and COVENANTOR hereby does agree, that COVENANTOR: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of the Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (4) will follow all reasonable procedures prescribed from time to time by COMPANY and FRANCHISEE to prevent unauthorized use or disclosure of or access to the Confidential Information. Nothing contained herein shall be construed to prohibit COVENANTOR from using the Confidential Information in connection with the operation of a THE ORIGINAL PANCAKE HOUSE restaurant (other than the RESTAURANT) pursuant to a franchise agreement with COMPANY. COVENANTOR agrees to disclose to COMPANY all ideas, concepts, methods, techniques and products relating to the development and operation of THE ORIGINAL PANCAKE HOUSE restaurants conceived or developed by COVENANTOR during the term of this Agreement, and COMPANY shall have a perpetual, non-exclusive and worldwide right to incorporate same in the ORIGINAL PANCAKE HOUSE system for use in all THE ORIGINAL PANCAKE HOUSE restaurants operated by COMPANY and its franchisees. COMPANY shall have no obligation to make any payment to COVENANTOR with respect to any idea, concept, method, technique or product developed or suggested by COVENANTOR and incorporated by COMPANY in the THE ORIGINAL PANCAKE HOUSE system. COVENANTOR agrees that COVENANTOR will not use any such concept, method, technique



or product in the operation of the RESTAURANT without obtaining COMPANY's prior written approval.

4. **Restrictive Covenant During the Term of the Franchise Agreement.** COVENANTOR acknowledges and agrees that COMPANY would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among THE ORIGINAL PANCAKE HOUSE restaurants if persons or entities authorized to use the Confidential Information were permitted to hold interests or perform services for a Competitive Business. As used in this Agreement, "Competitive Business" means any business operating or granting franchises or licenses to others to operate restaurants offering for sale pancakes, crepes, waffles and/or similar food items or any similar food service business. COVENANTOR further acknowledges that restrictions on his/her direct or indirect ownership of interests in a Competitive Business will not hinder COVENANTOR's activities in connection with FRANCHISEE's performance of the Franchise Agreement or in general. COVENANTOR therefore agrees that during the term of the Franchise Agreement and so long as COVENANTOR is either an owner or employee of FRANCHISEE, COVENANTOR shall not directly or indirectly engage in any Competitive Business. As used in this Agreement, the phrase "directly or indirectly engage in any Competitive Business" shall include, without limitation: (a) the ownership of an interest in a Competitive Business by COVENANTOR or a member of his/her immediate family; and (b) the performance of services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business by COVENANTOR or a member of his/her immediate family. FRANCHISEE and COVENANTOR acknowledge and agree that the failure of COVENANTOR or a member of his/her immediate family to comply with this Paragraph 4 or Paragraphs 5 or 6 below shall constitute a breach of this Agreement and the Franchise Agreement. The restrictions of this Paragraph and Paragraphs 5 and 6 below shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the total number of issued and outstanding shares of that class of securities.

5. **Restrictive Covenant upon Transfer of Covenantor's Ownership Interest in Franchise Owner.** If COVENANTOR transfers his/her entire ownership interest in FRANCHISEE and is not thereafter an employee, officer or director of FRANCHISEE, COVENANTOR agrees that COVENANTOR will not directly or indirectly engage in a Competitive Business located or operating within a fifteen (15) mile radius of the RESTAURANT or within a fifteen (15) mile radius of any other THE ORIGINAL PANCAKE HOUSE RESTAURANT for a period of one (1) year commencing on the effective date of such transfer.

6. **Restrictive Covenant upon Termination or Expiration of the Franchise Agreement.** Upon the first to occur of: (a) termination of the Franchise Agreement by COMPANY in accordance with its terms and conditions; (b) termination of the Franchise Agreement by FRANCHISEE other than in compliance with the terms of the Franchise Agreement; (c) expiration of the Franchise Agreement (without the grant of a successor franchise); or (d) the date as of which COVENANTOR is neither an owner nor employee of FRANCHISEE, COVENANTOR agrees that COVENANTOR shall not directly or indirectly engage in a Competitive Business located or operating within a fifteen (15) mile radius of the RESTAURANT or within a fifteen (15) mile radius of any other THE ORIGINAL PANCAKE HOUSE restaurant

for a period of one (1) year, commencing on the date of the applicable event described in clauses (a) through (d) above.

7. **Surrender of Documents.** COVENANTOR agrees that, as of the effective date of the earlier of (a) the covenant set forth in Paragraph 5, or (b) the covenant set forth in Paragraph 6, COVENANTOR shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by COVENANTOR, return to FRANCHISEE (or COMPANY if directed by COMPANY) all copies of the Confidential Information loaned or made available to COVENANTOR.

8. **Indemnification/Costs and Attorneys' Fees.** COVENANTOR agrees to indemnify and hold COMPANY and FRANCHISEE harmless from and against any and all loss, cost, damage, liability and expense (including, without limitation, reasonable attorneys' fees, court costs and other reasonable litigation expenses) suffered, sustained or incurred by COMPANY or FRANCHISEE as a result of, arising out of, or in connection with any failure of performance or breach of this Agreement by COVENANTOR. The party or parties prevailing in any judicial proceeding in connection with this Agreement shall be entitled to reimbursement of their costs and expenses, including, but not limited to, reasonable accounting, paralegal, legal, expert witness and attorneys' fees, whether incurred prior to, in preparation for or in contemplation of the filing of such proceeding.

9. **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.

10. **Severability.** The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision of this Agreement and any such provision which is adjudicated to be invalid or unenforceable shall be severed from this Agreement, provided that such severance is to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. To the extent any restriction herein is deemed unenforceable by virtue of its scope in terms of time, geography or business activity prohibited, but may be made enforceable by reducing any or all thereof, the parties agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction where enforcement is sought.

11. **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 hereunder shall preclude the exercise or enforcement by such party of any other right or remedy hereunder or which it is entitled by law to enforce.

12. **Benefit.** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

13. **Entire Agreement.** This Agreement contains the entire agreement among the parties hereto with respect to the subject matter hereof and all prior negotiations, agreements and

understandings are merged herein. This Agreement may not be modified or rescinded except by a written agreement to such effect signed by the party against whom enforcement is sought.

14. **Governing Law.** This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the internal laws of the state of Oregon except that its choice of law and conflict of law rules shall not apply and the Oregon Franchise Investment Law, as amended, shall not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

15. **Counterparts.** This Agreement may be executed in counterparts, each of which will be deemed an original.

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

Print name of **COVENANTOR** below:

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.**

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Signature of **COVENANTOR**:

\_\_\_\_\_

**OWNER'S GUARANTY AND ASSUMPTION OF  
FRANCHISEE's OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the foregoing franchise agreement (the "Agreement") by THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC. ("COMPANY"), each of the undersigned ("GUARANTORS") hereby personally and unconditionally (1) guarantees to COMPANY and its affiliates and their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ (FRANCHISEE") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement. Each of the GUARANTORS waives:

- (1) acceptance and notice of acceptance by COMPANY and its affiliates of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right GUARANTOR may have to require that an action be brought against FRANCHISEE or any other person as a condition of liability;
- (5) all rights to payments and claims for reimbursement or subrogation which any of the GUARANTORS may have against FRANCHISEE arising as a result of the GUARANTORS' execution of and performance under this guaranty; and
- (6) any and all other notices and legal or equitable defenses to which GUARANTOR may be entitled.

Each of the GUARANTORS consents and agrees that:

- (1) each GUARANTOR's direct and immediate liability under this guaranty shall be joint and several;
- (2) each GUARANTOR shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses punctually to do so;
- (3) such liability shall not be contingent or conditioned upon pursuit by COMPANY or its affiliates of any remedies against FRANCHISEE or any other person; and
- (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which COMPANY or its affiliates may from time to time grant to FRANCHISEE or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which

shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

If COMPANY is required to enforce this Guaranty and Assumption of Obligations in any judicial or arbitration proceeding or appeal thereof, the GUARANTORS shall reimburse COMPANY for its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty and Assumption of Obligations.

**IN WITNESS WHEREOF**, each of the GUARANTORS has hereunto affixed his or her signature, under seal, on the same day and year as the Agreement was executed.

**PERCENTAGE OF OWNERSHIP  
INTERESTS IN FRANCHISEE**

**GUARANTOR(S)**

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DATE OF AGREEMENT

**EXHIBIT B**  
**OPTION AGREEMENT**

## **EXHIBIT B**

### **THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.** **OPTION AGREEMENT**

This Option Agreement (this “Agreement”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “Agreement Date”) by and between The Original Pancake House Franchising, Inc. (“OPHF”) and \_\_\_\_\_ (“FRANCHISEE”), regarding options to acquire franchises to operate THE ORIGINAL PANCAKE HOUSE restaurants in the Option Area (defined below).

#### **RECITALS**

WHEREAS, FRANCHISEE has acquired the right to operate \_\_\_\_\_ restaurant(s) somewhere \_\_\_\_\_ (“the Option Area”), and wishes to secure an opportunity for exclusive development of the Option Area, for which franchise rights have not been granted by OPHF to any other party, and

WHEREAS, OPHF seeks a franchisee who will, either directly or through Controlled Subsidiaries (defined below), pursue an opportunity for development of THE ORIGINAL PANCAKE HOUSE restaurants in the Option Area;

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises contained herein, and of the parties entering into the \_\_\_\_\_ Franchise Agreements entered into contemporaneously herewith, the parties do hereby agree as follows:

#### **AGREEMENT**

(1) **FRANCHISEE’s Representations and Warranties.** FRANCHISEE represents, warrants, acknowledges and agrees to the following:

(A) The option rights granted to FRANCHISEE in this Agreement are the only option rights which have been granted to FRANCHISEE by OPHF for the Option Area.

(B) The rights and duties created by this Agreement are personal to FRANCHISEE (or, if FRANCHISEE is a corporation or partnership, to its owners) and that OPHF has granted the option rights under this Agreement to FRANCHISEE in reliance upon OPHF’s perceptions of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of FRANCHISEE (or its owners).

(2) **Existing Franchise Agreements.** The rights granted pursuant to this Agreement are in addition to those rights contained in the \_\_\_\_\_ (\_\_\_\_) Franchise Agreements (the “Existing Franchise Agreements”) which are now in effect between OPHF and FRANCHISEE.

(3) Condition Precedent; Option Start Date. The rights granted herein are subject to the condition precedent that FRANCHISEE (or a Controlled Subsidiary) open for business each of the The Original Pancake House restaurants under each of the \_\_\_\_ (\_\_\_\_) Existing Franchise Agreements in accordance with the terms of the Existing Agreements on or before the Option Start Date. If FRANCHISEE fails to open each such restaurant for business on or before the Option Start Date, then this Agreement ends automatically, without notice from either OPHF or FRANCHISEE. As used in this Agreement “Option Start Date” means the following:

(A) if FRANCHISEE (or its Controlled Subsidiaries) has selected (and OPHF has approved) a site for each of The Original Pancake House restaurants that Franchisee will open and operate under each Existing Agreement, then “Option Start Date” means the date which is three hundred and sixty (360) days after the Agreement Date; or

(B) if FRANCHISEE (or its Controlled Subsidiaries) have not agreed on a site for at least one (1) of The Original Pancake House restaurants that FRANCHISEE will open and operate under each Existing Agreement, then the date which is the earlier of: (i) three hundred and sixty (360) days after OPHF's approval of a site proposed by FRANCHISEE for the last The Original Pancake House restaurant, and (ii) the date which is three (3) years after the Agreement Date.

(4) Each Option Period and Exercise Date. The term “Option Period” means each separate thirty-six (36) month period commencing on the Option Start Date. The term “Exercise Date” means the date which is ninety (90) days before the last day of each Option Period.

(5) Option Area. Subject to the provisions below, THE ORIGINAL PANCAKE HOUSE restaurants developed pursuant to options granted herein shall be located within the Option Area.

(6) Grant. In addition to THE ORIGINAL PANCAKE HOUSE restaurants that FRANCHISEE (or its Controlled Subsidiary(s)) will open and operate under the Existing Agreements, OPHF hereby grants to FRANCHISEE (or a Controlled Subsidiary (defined below)):

(A) an option (the “First Option”) to enter into a franchise agreement to operate an additional THE ORIGINAL PANCAKE HOUSE restaurant in the Option Area (the “First Option Franchise Agreement”). The First Option Franchise Agreement shall be in the then-current form of franchise agreement and any ancillary documents used by OPHF at the time the First Option is exercised, and shall include any guarantees then required by OPHF. The term “operation” as used herein shall not include the relocation of any THE ORIGINAL PANCAKE HOUSE restaurant. The First Option is exercisable only by delivery to OPHF of a written notice of exercise on or before the Exercise Date of the first Option Period. Owner's Controlled Subsidiary may execute the First Option Franchise Agreement, in which case, FRANCHISEE shall guaranty the obligations of the Controlled Subsidiary under the First Option Franchise Agreement. As used in this Agreement, “Controlled Subsidiary” means any entity or company of which (a) FRANCHISEE directly owns 100% of the ownership interests and voting power, or (b) FRANCHISEE's owners collectively and directly own 100% of the ownership interests and voting power, with each such owner's percentage of ownership interest first approved by OPHF in writing. To qualify as a Controlled Subsidiary, each entity or company must first be approved by OPHF in writing.



(B) additional options (each such option is herein referred to as a “Subsequent Option” and all are collectively referred to as the “Subsequent Options”) to enter into franchise agreements to operate additional THE ORIGINAL PANCAKE HOUSE restaurants (each, a “Subsequent Option Franchise Agreement”) as follows:

(1) Subsequent Options, exercisable only by delivery to OPHF of written notice of exercise on or before the Exercise Date of the second and each subsequent Option Period. FRANCHISEE (or a Controlled Subsidiary) may enter into more than one franchise agreement during each Option Period to operate more than one (1) THE ORIGINAL PANCAKE HOUSE restaurant. Each Subsequent Option Franchise Agreement shall be in the then-current form of franchise agreement, which shall include all then-current fees charged by OPHF to its franchisees, and any ancillary documents used by OPHF at the time the applicable Subsequent Option is exercised, and shall include any guarantees then required by OPHF. FRANCHISEE’s Controlled Subsidiary may execute a Subsequent Option Franchise Agreement, in which case, FRANCHISEE shall guaranty the obligations of the Controlled Subsidiary under the Subsequent Option Franchise Agreement.

(2) The opening of more than one (1) THE ORIGINAL PANCAKE HOUSE restaurant during any single Option Period shall not satisfy the requirement that a separate option be exercised during each and every subsequent Option Period.

(3) FRANCHISEE must deliver notice of exercise of each Subsequent Option on or before the Exercise Date of the applicable Option Period.

(4) Each of the Subsequent Options is exercisable as aforesaid only if the following terms and conditions are satisfied:

(a) FRANCHISEE has not failed to properly and timely exercise the First Option or any Subsequent Option;

(b) on or before the date ninety (90) days after the applicable Exercise Date, FRANCHISEE (or a Controlled Subsidiary) executes a Subsequent Option Franchise Agreement; and

(c) on the applicable Exercise Date, and at the time FRANCHISEE (or its Controlled Subsidiary(s)) executes each Subsequent Option Franchise Agreement, FRANCHISEE is in compliance with all of its obligations under the Existing Agreement, FRANCHISEE is in compliance with all of its obligations under this Agreement, and FRANCHISEE (and its Controlled Subsidiaries) are in compliance with all of its (and their) obligations under the First Option Franchise Agreement and any and all other existing Subsequent Option Franchise Agreements.

(C) in addition to the obligations above, FRANCHISEE may exercise the First Option or any Subsequent Option, as applicable, only if, simultaneously with the execution of the First

Option Franchise Agreement or Subsequent Option Franchise Agreement, as applicable, FRANCHISEE, its Controlled Subsidiaries, and its and their owners execute a release in a form approved by OPHF under which FRANCHISEE, its Controlled Subsidiaries, and its and their owners will release OPHF and its owners, affiliates, employees, attorneys and agents and all their respective heirs, executors, administrators, successors and assigns, from and for any and all losses, claims, suits, actions, causes of action, liabilities, costs, damages or expenses arising under this Agreement, the Existing Agreements, all other franchise or other agreements signed pursuant to this Agreement or otherwise howsoever arising at any time prior to and through the effective date of the First Option Franchise Agreement or Subsequent Option Agreement, as applicable.

(7) No Sublicensing Rights or Rights to Use Marks. This Agreement does not grant FRANCHISEE any right to license others to operate THE ORIGINAL PANCAKE HOUSE restaurants. Only FRANCHISEE (and FRANCHISEE's Controlled Subsidiaries) may develop THE ORIGINAL PANCAKE HOUSE restaurants pursuant to this Agreement and only under Franchise Agreements with OPHF. This Agreement does not grant FRANCHISEE any right to use, or authorize others to use, the Marks in any manner. FRANCHISEE's right to use the Marks arises only under Franchise Agreements with OPHF. OPHF or its affiliate owns all rights to the Marks, and FRANCHISEE's unauthorized use of the Marks is an infringement of OPHF's and its affiliate's rights and a breach of this Agreement.

(8) Limited Territorial Protection. For so long as FRANCHISEE (and its Controlled Subsidiaries) are in compliance with: (A) this Agreement, (B) the Existing Agreements, and (C) all other franchise or other agreements signed pursuant to this Agreement, then OPHF shall not operate or grant franchises to third parties (other than FRANCHISEE and its Controlled Subsidiaries) to operate THE ORIGINAL PANCAKE HOUSE restaurants the physical premises of which are located within the Option Area from the Agreement Date until the Expiration Date of the last Option Period under this Agreement. After the expiration or termination of this Agreement, FRANCHISEE shall have no territorial protections in the Option Area; provided, however that FRANCHISEE or its Controlled Subsidiaries shall have the territorial protections provided in the Existing Agreements and any other franchise agreement signed pursuant to the terms of this Agreement. After the expiration or termination of this Agreement, FRANCHISEE (and its Controlled Subsidiaries) shall have no rights under this Agreement to enter into any additional franchise agreements. For the avoidance of doubt, OPHF may modify your Option Area if OPHF grants rights to a franchisee to establish and operate a The Original Pancake House restaurant outside of the Option Area, but with a designated area (as that term is defined under the applicable franchisee's franchise agreement) that overlaps with a portion of the Option Area (the "Overlapping Area"). In such case, FRANCHISEE will no longer have the right to establish and operate a The Original Pancake House restaurant in the Overlapping Area.

(9) Assignment.

(A) By OPHF. FRANCHISEE represents that FRANCHISEE has not signed this Agreement in reliance on any owner's, officer's or employee's remaining with OPHF in that capacity. OPHF may change its ownership or form and/or assign this Agreement and any other agreement between OPHF and FRANCHISEE (or any of FRANCHISEE's owners or affiliates) without restriction. This Agreement and any other agreement will inure to the benefit of any

transferee or other legal successor to OPHF's interest in it. After OPHF's assignment of this Agreement to a third party who expressly assumes OPHF's obligations under this Agreement, OPHF no longer will have any performance or other obligations under this Agreement. Such an assignment shall constitute a release of OPHF and novation with respect to this Agreement, and the assignee shall be liable to FRANCHISEE as if it had been an original party to this Agreement.

(B) By FRANCHISEE. FRANCHISEE and its owners acknowledge that OPHF is granting FRANCHISEE the rights under this Agreement because of OPHF's perception of FRANCHISEE's (and FRANCHISEE's owners') individual and collective character, skill, business acumen, financial capability and ability to operate THE ORIGINAL PANCAKE HOUSE Restaurants according to OPHF's standards. These rights are personal to FRANCHISEE and FRANCHISEE's owners. Therefore, FRANCHISEE and FRANCHISEE's owners may not assign this Agreement or any of its (or their) ownership interests unless FRANCHISEE or FRANCHISEE's owners: (a) obtain OPHF's prior written approval, which OPHF may grant or withhold for any or no reason, and (b) simultaneously transfer to the transferee of this Agreement (or an interest in FRANCHISEE) the right, title and interest that FRANCHISEE (or FRANCHISEE's transferring owners) own or hold in and to any THE ORIGINAL PANCAKE HOUSE Restaurants and all Controlled Subsidiaries.

(10) Termination. This Agreement terminates automatically, without notice from either OPHF or Owner, if:

- (A) Any of the Existing Agreements are terminated by OPHF for cause;
- (B) The First Option Franchise Agreement or any Subsequent Option Franchise Agreement is terminated by OPHF for cause;
- (C) FRANCHISEE fails to deliver written notice of its intent to exercise its First Option or any Subsequent Option on or before the applicable Exercise Date;
- (D) FRANCHISEE (or any Controlled Subsidiary) makes or attempts to make any unauthorized transfer of this Agreement; or
- (E) FRANCHISEE (or any Controlled Subsidiary) operates less than \_\_\_\_ (\_\_) THE ORIGINAL PANCAKE HOUSE Restaurants in the Option Area for a period of longer than one (1) year.

(11) Construction; Modification. This Agreement, together with the Existing Franchise Agreements, contains the entire agreement among the parties hereto with respect to the subject matter hereof and all prior negotiations, agreements and understandings are merged herein. This Agreement may not be modified or rescinded except by a written agreement to such effect signed by the party against whom enforcement is sought. Nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

(12) Binding Effect. To the extent that any provision of this Agreement is unenforceable, the rest and remainder hereof shall remain binding and be of full force and effect.

(13) Governing Law/Consent to Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this agreement, and the relationship between OPHF and FRANCHISEE shall be governed by and construed in accordance with the internal laws of the State of Oregon, except that its choice of law and conflict of law rules shall not apply and the Oregon Franchise Investment Law, ORS., §650.005 et seq. (Supp. 1987), as amended, shall not apply unless its jurisdictional requirements are met independently without reference to this paragraph. FRANCHISEE agrees that OPHF may institute any action against FRANCHISEE in any state or federal court of general jurisdiction in the State of Oregon and FRANCHISEE irrevocably submits to the jurisdiction of such courts and waives any objections he may have either to the jurisdiction of or the venue in such courts.

(14) No Waiver or Disclaimer of Reliance in Certain States. 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 OPHF, any franchise seller, or any other person acting on behalf of OPHF. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties hereto have executed, sealed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**THE ORIGINAL PANCAKE HOUSE      [FRANCHISEE]**  
**FRANCHISING, INC.,**  
an Oregon corporation

By: \_\_\_\_\_  
Name: Elizabeth K. Highet  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C**  
**AUDITED FINANCIAL STATEMENTS**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.**

**TIGARD, OREGON**

**FINANCIAL REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023**



**12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223**

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
TIGARD, OREGON**

**FINANCIAL REPORT  
For the Years Ended December 31, 2024 and 2023**

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
TIGARD, OREGON**

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Notes to the Basic Financial Statements

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**PAULY, ROGERS AND CO., P.C.**  
12700 SW 72<sup>nd</sup> Ave. ♦ Tigard, OR 97223  
(503) 620-2632  
[www.paulyrogersandcocpas.com](http://www.paulyrogersandcocpas.com)

April 3, 2025

To The Board of Directors  
The Original Pancake House Franchising, Inc.  
Tigard, Oregon

## INDEPENDENT AUDITORS' REPORT

### **Opinion**

We have audited the accompanying basic financial statements of The Original Pancake House Franchising, Inc. (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the company as of December 31, 2024 and 2023, and the results of its operations and 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 audits 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 Basic Financial Statements section of our report. We are required to be independent of the Company 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.

### **Responsibilities of Management for the Basic Financial Statements**

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of the system of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the company's ability to continue as a going concern within one year after the date that the basic financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Basic Financial Statements**

Our objectives are to obtain reasonable assurance about whether the basic 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 generally accepted auditing standards 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 controls. Misstatements, including omissions, 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 basic financial statements.

### **Auditor's Responsibilities for the Audit of the Basic Financial Statements (Continued)**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic 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 basic financial statements.
- Obtain an understanding of the Company's system of internal control 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 the Company's system of 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 basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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 control-related matters that we identified during the audit.



HANS K. GRAICHEN  
PAULY, ROGERS AND CO., P.C.

## BASIC FINANCIAL STATEMENTS

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**

**TIGARD, OREGON**

**BALANCE SHEETS**

**December 31, 2024 and 2023**

	ASSETS	
	2024	(Restated) 2023
CURRENT:		
Cash	\$ 193,579	\$ 17,155
Accounts Receivable:		
Royalty fees, net	594,511	583,616
Merchandise sales	42,212	53,261
Inventory	58,100	54,600
Prepaid expenses	58,854	56,423
	<u>947,256</u>	<u>765,055</u>
EQUIPMENT:		
Equipment	148,997	118,124
Less: accumulated depreciation	(63,081)	(81,467)
Net Equipment	<u>85,916</u>	<u>36,657</u>
INTANGIBLE ASSET:		
Franchise territory	<u>1,000</u>	<u>1,000</u>
Total Intangible Asset	<u>1,000</u>	<u>1,000</u>
TOTAL ASSETS	<u><u>\$ 1,034,172</u></u>	<u><u>\$ 802,712</u></u>
	LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 76,431	\$ 92,103
Payroll liabilities	4,556	3,807
Deferred franchise fee revenues	90,000	120,000
Total Current Liabilities	<u>170,987</u>	<u>215,910</u>
STOCKHOLDERS' EQUITY:		
Common stock, no par, 100 shares		
Authorized and Issued	85,575	85,575
Paid in capital	226,719	226,719
Retained earnings	550,891	274,508
Total Stockholders' Equity	<u>863,185</u>	<u>586,802</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 1,034,172</u></u>	<u><u>\$ 802,712</u></u>

See accompanying notes to the basic financial statements.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**For the Years Ended December 31, 2024 and 2023**

	2024	(Restated) 2023
OPERATING REVENUES:		
Franchise merchandise sales	\$ 501,632	\$ 560,981
Less: cost of goods sold	(568,457)	(567,289)
Gross Profit on Sales of Merchandise	(66,825)	(6,308)
Royalty fees	6,072,310	6,042,413
Initial franchise fees	75,000	211,950
Miscellaneous	1,465	-
Total Operating Revenue	6,081,950	6,248,055
OPERATING EXPENSES:		
Officers' salaries	1,019,135	1,093,750
Other salaries and wages	134,750	54,950
Payroll taxes	75,103	75,327
Other taxes	457,711	7,555
Auto expense	7,237	9,051
Bank charges	1,395	3,124
Dues and subscriptions	10,076	16,834
Insurance	79,950	101,914
Internet	182	-
Training facility	140,000	140,000
Accounting	46,650	39,539
Legal	100,002	90,983
License, fees, permits	100	1,526
Office/printing/postage expense	10,526	9,208
Other professional fees	9,035	29,638
Repairs and maintenance	6,075	1,580
Storage	13,843	13,383
Miscellaneous/gifts	2,976	685
Telephone	22,491	24,897
Travel and lodging	12,479	17,008
Franchisee meeting	-	61,190
Website hosting	1,615	1,485
Bad debt expense	-	1,804
Depreciation and amortization	6,030	5,415
Total Operating Expenses	\$ 2,157,361	\$ 1,800,846

See accompanying notes to the basic financial statements.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**For the Years Ended December 31, 2024 and 2023**

	2024	(Restated) 2023
INCOME FROM OPERATIONS	3,924,589	4,447,209
OTHER INCOME, (EXPENSES)		
Loss on disposal of capital assets	(13)	-
Payroll reimbursement	30,240	27,440
Total Other Income (Expenses)	30,227	27,440
NET INCOME	3,954,816	4,474,649
RETAINED EARNINGS, BEGINNING OF YEAR	274,508	342,521
DISTRIBUTIONS TO STOCKHOLDERS	(3,678,433)	(4,542,662)
RETAINED EARNINGS, END OF YEAR	550,891	274,508

See accompanying notes to the basic financial statements.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2024 and 2023**

	2024	(Restated) 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 3,954,816	\$ 4,474,649
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	6,030	5,415
Loss on disposal of capital assets	13	-
(Increase) Decrease in:		
Royalty fees receivables	(10,895)	31,550
Accounts receivable - merchandise sales	11,049	(21,809)
Inventory	(3,500)	439
Prepaid expenses	(2,431)	(6,586)
Increase (Decrease) in:		
Deferred franchise fee revenue	(30,000)	(16,700)
Payroll liabilities	749	(23,343)
Accounts payable - trade	(15,672)	(19,281)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,910,159</u>	<u>4,424,334</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	<u>(55,302)</u>	<u>(31,576)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(55,302)</u>	<u>(31,576)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions to stockholders	<u>(3,678,433)</u>	<u>(4,542,662)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(3,678,433)</u>	<u>(4,542,662)</u>
NET INCREASE, (DECREASE) IN CASH AND CASH EQUIVALENTS CASH	176,424	(149,904)
AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,155</u>	<u>167,059</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 193,579</u>	<u>\$ 17,155</u>

See accompanying notes to the basic financial statements.

NOTES TO THE  
BASIC FINANCIAL STATEMENTS



**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES**

The Original Pancake House Franchising, Inc., (the Company) was incorporated March 1, 1991, in the state of Oregon. The Company was formed for the purpose of continuing franchising operations of Highet and Highet Partnership dba The Original Pancake House, which established the franchising of restaurants specializing in pancakes and related foods. The Partnership was dissolved on February 28, 1991, to create the Company. The Company's offices are located in Tigard, Oregon. The Company does business across the United States, and in Korea and Japan.

There were 147 franchises in operation at December 31, 2024, and 2 of them opened in 2024. The Company does not own or operate any restaurants.

Accounting Method: The basic financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). The basic financial statements have been prepared on the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when an obligation is incurred.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Company considers all highly-liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at net realizable value. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The Company considers accounts receivable outstanding for more than 90 days from the invoice date to be past due unless the payment terms are extended. Past due accounts do not accrue interest. Individual accounts are written off after management has exhausted all reasonable efforts of collection. An allowance for uncollectable accounts was recognized at December 31, 2024 and 2023. See Note 3.

Revenue from Contracts: Revenue is reported in accordance with FASB ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as OREO. Revenue from contracts consist of the following:

Franchise Fee Revenue: Franchisees are charged \$60,000 per franchise. The Company has determined that 75% of the contract value is assigned to "franchise rights". These rights are earned and recognized immediately. There are also various services provided by the Company under the contracts that enable the franchisees to open their restaurants for business. Based on an analysis of internal cost, these services are valued at 25% of the total contract, and are recognized at the time the services have been performed.

Royalties: Revenue from royalties are based on a percentage of gross sales as defined in the license agreement. Royalty revenue is recognized on a monthly basis.

Income Taxes: The Company is organized as an S-Corporation for tax purposes. With this election, income from the Company flows through, and is taxed, to the individual stockholders on their personal returns. Accordingly, no income tax expense is recorded in the basic financial statements.

Inventory: Inventory is valued at cost using the first-in, first-out (FIFO) method.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Prepaid Insurance:** Payments made for insurance that will benefit periods beyond December 31st are recorded as prepaid insurance.

**Equipment:** Equipment is recorded at cost. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. For equipment the estimated useful life used is seven years. The cost of normal maintenance and repair that do not add function to the asset or materially extend the useful life of the asset are expenses as incurred.

**Estimates:** Basic financial statements prepared in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Instruments and Concentrations:** Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of cash, receivables, and trade payables. Concentration with respect to cash is limited due to the Company maintaining cash balances that are generally fully insured by the FDIC. Concentrations of credit risk related to receivables are limited due to their dispersion across various companies and wide geographical areas. No financial instruments are held for trading purposes.

The Codification, *Fair Value Measurements*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted priced for similar securities, interest rates, prepayment speeds, credit risk, and others).

Level 3 – significant unobservable inputs

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no investments at December 31, 2024 and 2023.

**NOTE 2 - CASH BALANCES**

A checking account is maintained with U.S. National Bank. The carrying amount of the deposits at December 31, 2024, was \$193,579, and the bank balance was \$228,990. The entire balance was insured by the FDIC. The carrying amount of the deposits at December 31, 2023, was \$17,155, and the bank balance was \$241,992. The entire amount was insured by the FDIC.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
TIGARD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 3 - ACCOUNTS RECEIVABLE - ROYALTIES AND MERCHANDISE**

Royalty fees receivable represent uncollected royalty charges on franchisee income from operations. Merchandise sales receivable represent uncollected billings primarily for sales of stabilizer (the basic food component). Concentrations of credit risk are limited to the franchisees that pay the Company royalties and purchase merchandise. The Company does not believe significant concentrations exist.

On an annual basis the Company performs an analysis of its royalty fees receivable balance and estimates the portion that is not expected to be collectible. At December 31, 2024 and 2023, the Company estimated 2% royalty fees receivable will eventually become uncollectible; therefore, an allowance for doubtful accounts of \$15,000 was recorded for both years.

**Contract Assets**

Royalty fees receivable, net of allowance was \$583,616 at January 1, 2024, and \$594,511 at December 31, 2024. Royalty fees receivable, net of allowance was \$615,166 at January 1, 2023, and \$583,616 at December 31, 2023.

Merchandise sales receivable was \$53,261 at January 1, 2024, and \$42,212 at December 31, 2024. Merchandise sales receivable was \$31,452 at January 1, 2023, and \$53,261 at December 31, 2023.

**NOTE 4 – LINE OF CREDIT**

There is a \$10,000 line of credit with US Bank, with an interest rate of prime + 5%. The line of credit was not used during 2024 or 2023; therefore, it did not have a balance due at December 31, 2024 and 2023.

**NOTE 5 - DEFERRED FRANCHISE FEE REVENUE**

When an individual franchise is sold, the Company generally agrees to provide certain services to the franchisees. These services typically include assistance in training personnel, consultation regarding necessary fixtures and equipment, information as to the ingredients and the preparation of the food, and other consultation regarding the methods of operations. Deferred franchise fee revenue represents that portion of total revenue, less related costs, from initial franchise sales attributable to services required to be provided by the Company that have not yet been performed.

Based on an analysis of the franchise contract structure and costs related to the services provided under the contracts, the Company applies 75% of the franchise fee to the “franchise rights”, and recognizes that revenue immediately as stipulated in the contracts. The remaining 25% of the contract amount is allocated to the services provided and is recognized at the time the services are performed.

**Contract Liabilities**

Deferred franchise fee revenue was \$120,000 at January 1, 2024 and \$90,000 at December 31, 2024. A total of \$75,000 was recognized as revenue during the year ended December 31, 2024. Deferred franchise fee revenue was \$136,000 at January 1, 2023 and \$120,000 at December 31, 2023. A total of \$211,950 was recognized as revenue for the year ended December 31, 2023.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The Company uses the kitchen and staff of the Original Pancake House Restaurant, Inc. (OPH) for training purposes. The Company has estimated the cost of providing kitchen space and staff time for training, and OPH billed the Company accordingly in the amounts of \$140,000 for both 2024 and 2023.

The Company's employees periodically provide services to the Original Pancake House Restaurant, Inc. and are reimbursed for their time. Total reimbursements totaled \$30,240 and \$27,440 in 2024 and 2023, respectively.

**NOTE 7 – PRIOR PERIOD ADJUSTMENT**

The previously issue basic financial statements for the year ended December 31, 2023, have been restated. Accounts payable had not been recorded at December 31, 2023. The effect of this restatement of the previously issued basis financial statements is as follows:

*Balance Sheet at December 31, 2023*

	Previously Reported	Increase (Decrease)	Restated
Accounts payable - trade	\$ 2,608	\$ 89,495	\$ 92,103
Total Current Liabilities	126,415	89,495	215,910
Retained earnings	364,003	(89,495)	274,508
Total Stockholders' Equity	676,297	(89,495)	586,802

*Statement of Income and Retained Earnings for the Year Ended December 31, 2023*

	Previously Reported	Increase (Decrease)	Restated
Less: cost of goods sold	\$ (502,502)	\$ 64,787	\$ (567,289)
Gross Profit on Sales of Merchandise	58,479	(64,787)	(6,308)
Total Operating Revenue	6,312,842	(64,787)	6,248,055
Bank charges	3,040	84	3,124
Legal	67,645	23,338	90,983
Telephone	23,611	1,286	24,897
Total Operating Expenses	1,776,138	24,708	1,800,846
INCOME FROM OPERATIONS	4,536,704	(89,495)	4,447,209
NET INCOME	4,564,144	(89,495)	4,474,649
RETAINED EARNINGS, END OF YEAR	364,003	(89,495)	274,508

*Statement of Cash Flows for the Year Ended December 31, 2023*

	Previously Reported	Increase (Decrease)	Restated
Net Income	\$ 4,564,144	\$ (89,495)	\$ 4,474,649
Increase (Decrease) in:			
Accounts payable - trade	(108,776)	89,495	(19,281)

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
TIGARD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated for the year ended December 31, 2024, through April 3, 2025, the issuance date of the basic financial statements. No subsequent events were identified by management that required noted disclosure.

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.**

**TIGARD, OREGON**

**FINANCIAL REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**



**12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223**

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
TIGARD, OREGON**

**FINANCIAL REPORT  
For the Years Ended December 31, 2023 and 2022**

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
TIGARD, OREGON**

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**PAULY, ROGERS AND CO., P.C.**  
12700 SW 72<sup>nd</sup> Ave. ♦ Tigard, OR 97223  
(503) 620-2632 ♦ (503) 684-7523 FAX  
[www.paulyrogersandcocpas.com](http://www.paulyrogersandcocpas.com)

April 18, 2024

To The Board of Directors  
The Original Pancake House Franchising, Inc.  
Tigard, Oregon

## INDEPENDENT AUDITORS' REPORT

### **Opinion**

We have audited the accompanying financial statements of The Original Pancake House Franchising, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Original Pancake House Franchising, Inc. as of December 31, 2023 and 2022, and the results of its operations and 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 audits 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 The Original Pancake House Franchising, Inc. 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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 The Original Pancake House Franchising, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **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 generally accepted auditing standards 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, including omissions, 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.

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with generally accepted auditing standards, 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 The Original Pancake House Franchising Inc.'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 The Original Pancake House Franchising Inc.'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.

A handwritten signature in cursive script that reads "Pauly, Rogers and Co., P.C." in dark ink.

**PAULY, ROGERS AND CO., P.C**

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**BALANCE SHEETS**  
**December 31, 2023 and 2022**

---

ASSETS

CURRENT:	2023	2022
Cash	\$ 17,155	\$ 167,059
Accounts Receivable:		
Royalty Fees, Net	583,616	615,166
Merchandise Sales, Net	53,261	31,452
Inventory	54,600	55,039
Prepaid Expenses	56,423	49,837
Total Current Assets	765,055	918,553
EQUIPMENT:		
Equipment	118,124	91,887
Less: Accumulated Depreciation	(81,467)	(81,391)
Net Equipment	36,657	10,496
INTANGIBLE ASSET:		
Franchise Territory	1,000	1,000
Total Intangible Asset	1,000	1,000
TOTAL ASSETS	\$ 802,712	\$ 930,049

See accompanying notes to the financial statements.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**BALANCE SHEETS**  
**December 31, 2023 and 2022**

---

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2023</u>	<u>2022</u>
LIABILITIES:		
Accounts Payable - Trade	\$ 2,608	\$ 111,384
Payroll Liabilities	3,807	27,150
Deferred Franchise Fee Revenues, Net	<u>120,000</u>	<u>136,700</u>
Total Current Liabilities	<u>126,415</u>	<u>275,234</u>
STOCKHOLDERS' EQUITY:		
Common Stock, No Par, 100 Shares		
Authorized and Issued	85,575	85,575
Paid in Capital	226,719	226,719
Retained Earnings	<u>364,003</u>	<u>342,521</u>
Total Stockholders' Equity	<u>676,297</u>	<u>654,815</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u><u>\$ 802,712</u></u>	 <u><u>\$ 930,049</u></u>

See accompanying notes to the financial statements.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
OPERATING REVENUES:		
Franchise Merchandise Sales	\$ 560,981	\$ 483,072
Less: Cost of Goods Sold	(502,502)	(469,191)
Gross Profit on Sales of Merchandise	58,479	13,881
Royalty Fees	6,042,413	5,373,134
Initial Franchise Fees	211,950	225,000
Miscellaneous	-	35,234
Total Operating Revenue	6,312,842	5,647,249
OPERATING EXPENSES:		
Officers' Salaries	1,093,750	1,058,818
Other Salaries and Wages	54,950	34,584
Payroll Taxes	75,327	72,112
Other Taxes	7,555	(566)
Auto Expense	9,051	11,689
Bank Charges	3,040	1,797
Dues and Subscriptions	16,834	16,373
Insurance	101,914	119,606
Internet	-	107
Training Facility	140,000	120,000
Accounting	39,539	43,575
Legal	67,645	59,554
License, Fees, Permits	1,526	1,237
Office/Printing/Postage Expense	9,208	29,641
Other Professional Fees	29,638	-
Repairs and Maintenance	1,580	2,670
Storage	13,383	14,088
Miscellaneous/Gifts	685	269
Telephone	23,611	18,763
Travel and Lodging	17,008	37,175
Franchisee Meeting	61,190	85,669
Website Hosting	1,485	1,902
Meals and Entertainment	-	383
Bad Debt Expense	1,804	3,196
Depreciation and Amortization	5,415	5,863
Total Operating Expenses	\$ 1,776,138	\$ 1,738,505

See accompanying notes to the financial statements.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**For the Years Ended December 31, 2023 and 2022**

---

	<u>2023</u>	<u>2022</u>
INCOME FROM OPERATIONS	\$ 4,536,704	\$ 3,908,744
OTHER INCOME, -EXPENSES		
Payroll Reimbursement	<u>27,440</u>	<u>30,240</u>
Total Other Income	<u>27,440</u>	<u>30,240</u>
NET INCOME	4,564,144	3,938,984
RETAINED EARNINGS, BEGINNING OF YEAR	342,521	586,831
DISTRIBUTIONS TO STOCKHOLDERS	<u>(4,542,662)</u>	<u>(4,183,294)</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 364,003</u></u>	<u><u>\$ 342,521</u></u>

See accompanying notes to the financial statements.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2023 and 2022**

---

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 4,564,144	\$ 3,938,984
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	5,415	5,863
(Increase), Decrease in:		
Royalty Fees Receivables	31,550	101,600
Accounts Receivable - Merchandise Sales	(21,809)	27,580
Inventory	439	(7,649)
Prepaid Expenses	(6,586)	33,393
Increase,(Decrease) in:		
Deferred Franchise Fee Revenue	(16,700)	15,000
Payroll Liabilities	(23,343)	24,961
Accounts Payable - Trade	<u>(108,776)</u>	<u>83,630</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>\$ 4,424,334</u>	 <u>\$ 4,223,362</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	<u>(31,576)</u>	<u>-</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>\$ (31,576)</u>	 <u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2023 and 2022**

---

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase, (Decrease) in Paid in Capital	\$ -	\$ -
Distributions to Stockholders	<u>(4,542,662)</u>	<u>(4,183,294)</u>
Net Cash Used by Financing Activities	<u>(4,542,662)</u>	<u>(4,183,294)</u>
NET INCREASE, (DECREASE) IN CASH AND CASH EQUIVALENTS	(149,904)	(40,068)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>167,059</u>	<u>126,991</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 17,155</u></u>	<u><u>\$ 167,059</u></u>

The accompanying notes are an integral part of these financial statements.



**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES**

The Original Pancake House Franchising, Inc., (the Company) was incorporated March 1, 1991 in the state of Oregon. The Company was formed for the purpose of continuing franchising operations of Highet and Highet Partnership dba The Original Pancake House which established the franchising of restaurants specializing in pancakes and related foods. The Partnership was dissolved on February 28, 1991 to create the Company. The Company's offices are located in Tigard, Oregon. The Company does business across the United States and is expanding to other foreign countries.

There were 147 franchises in operation at December 31, 2023, and 7 of them opened in 2023. The Company does not own or operate any restaurants.

Accounting Method: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). The financial statements have been prepared on the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when an obligation is incurred.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Company considers all highly-liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at net realizable value. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The Company considers accounts receivable outstanding for more than 90 days from the invoice date to be past due unless the payment terms are extended. Past due accounts do not accrue interest. Individual accounts are written off after management has exhausted all reasonable efforts of collection. An allowance for uncollectable accounts has been recognized as of December 31, 2023.

Revenue from Contracts: Revenue is reported in accordance with FASB ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as OREO. Revenue from contracts consist of the following:

Franchise Fee Revenue: Franchisees are generally charged \$60,000 per franchise. The Company has determined that 75% of the contract value is assigned to "franchise rights". These rights are earned and recognized immediately. There are also various services provided by the Company under the contracts that enable the franchisees to open their restaurants for business. Based on an analysis of internal cost, these services are valued at 25% of the total contract, and are recognized at the time the services have been performed.

Royalties: Revenue from royalties are based on a percentage of net sales as defined in the license agreement.

Income Taxes: The Company is organized as an S-Corporation for tax purposes. With this election, income from the Company flows through, and is taxed, to the individual stockholders on their personal returns. Accordingly, no income tax expense is recorded in the financial statements.

Inventory: Inventory is valued at cost using the first-in, first-out (FIFO) method.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Prepaid Insurance:** Payments made for insurance that will benefit periods beyond December 31st are recorded as prepaid insurance.

**Equipment:** Equipment is recorded at cost. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. For equipment the estimated useful life used is seven years.

**Estimates:** Financial statements prepared in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Instruments and Concentrations:** Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of cash, receivables, notes receivable, trade payables, and a note payable. Concentration with respect to cash is limited due to the Company maintaining cash balances that are generally fully insured by the FDIC. Concentrations of credit risk related to receivables are limited due to their dispersion across various companies and wide geographical areas. No financial instruments are held for trading purposes.

The Codification, Fair Value Measurements, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted priced for similar securities, interest rates, prepayment speeds, credit risk, and others).

Level 3 – significant unobservable inputs

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs

**NOTE 2 - CASH BALANCES**

The Company maintains its checking account with U.S. National Bank. The carrying amount of the deposits as of December 31, 2023 was \$17,155, and the bank balance was \$241,992. The entire balance was insured by the FDIC. The carrying amount of the deposits as of December 31, 2022 was \$167,059, and the bank balance was \$205,750. The entire amount was insured by the FDIC.

**THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.**  
**TIGARD, OREGON**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 - ACCOUNTS RECEIVABLE - ROYALTIES AND MERCHANDISE**

Royalty fees receivable, net of allowance for uncollectable accounts at December 31, 2023 and 2022 were \$583,616 and \$615,166, respectively, and represent uncollected royalty charges on franchisee income from operations. Merchandise sales receivable, net of allowance for uncollectable accounts at December 31, 2023 and 2022 were \$53,261 and \$31,452, respectively, and represent uncollected billings primarily for sales of stabilizer (the basic food component). Concentrations of credit risk are limited to the franchisees that pay the Company royalties and purchase merchandise. The company does not believe significant concentrations exist.

On an annual basis the Company performs an analysis of its Accounts Receivable balances and estimates the portion that is not expected to be collectible. At December 31, 2023, the Company has estimated 2% of overall receivables will eventually become uncollectible and therefore has recorded an Allowance for Doubtful Accounts in the amount of \$15,000. The allowance is reflected in the balances disclosed in the above paragraph. Bad debt expense for 2023 and 2022 was \$1,804 and \$3,196 and is reported as an operating expense on the income statement.

**NOTE 4 – LINE OF CREDIT**

The Company has a \$10,000 line of credit with US Bank, with an interest rate of prime + 5%. The line of credit did not carry a balance at December 31, 2023 and 2022.

**NOTE 5 - DEFERRED FRANCHISE FEE REVENUE**

When an individual franchise is sold, the Company generally agrees to provide certain services to the franchises. These services typically include assistance in training personnel, consultation regarding necessary fixtures and equipment, information as to the ingredients and the preparation of the food, and other consultation regarding the methods of operations. Deferred franchise fee revenue represents that portion of total revenue, less related costs, from initial franchise sales attributable to services required to be provided by the Company that have not yet been performed.

Based on an analysis of the franchise contract structure and costs related to the services provided under the contracts, the Company applies 75% of the franchise fee to the “franchise rights”, and recognizes that revenue immediately as stipulated in the contracts. The remaining 25% of the contract amount is allocated to the services provided and is recognized at the time the services are performed. The amounts of deferred franchise fee revenue at December 31, 2023 and 2022 were \$120,000 and \$136,700, respectively.

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The Company uses the kitchen and staff of the Original Pancake House Restaurant, Inc. for training purposes. The Original Pancake House Restaurant, Inc. has estimated the cost of providing kitchen space and staff time for training, and billed the Company accordingly in the amounts of \$140,000 and \$120,000 for 2023 and 2022 respectively.

The Company’s employees periodically provide services to the Original Pancake House Restaurant, Inc. and are reimbursed for their time. Total reimbursements totaled \$27,440 and \$30,240 in 2023 and 2022 respectively.

**NOTE 7 - SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through April 18, 2024, the date the financial statements were available to be issued. No subsequent events were identified that needed to be disclosed in the financial statements.

## **EXHIBIT D**

### **LIST OF STATE ADMINISTRATORS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

#### **CALIFORNIA**

Commissioner of the Department  
of Financial Protection and Innovation:  
Toll Free: 1 (866) 275-2677

##### ***Los Angeles***

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013-2344  
(213) 576-7500

##### ***Sacramento***

651 Bannon Street, Suite 300,  
Sacramento, California 95811  
(916) 445-7205

##### ***San Diego***

1455 Frazee Road, Suite 315  
San Diego, California 92108  
(619) 525-4233

##### ***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94105-2980  
(415) 972-8559

#### **HAWAII**

(for service of process)

Commissioner of Securities  
Department of Commerce  
and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

(for other matters)

Commissioner of Securities  
Department of Commerce  
and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813  
(808) 586-2722

#### **ILLINOIS**

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  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6531

(state agency)

Indiana Secretary of State  
Securities Division  
Room E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

**MARYLAND**

(for service of process)

Maryland Securities Commissioner  
at the Office of Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(state agency)

Office of the Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

**MICHIGAN**

Michigan Attorney General's Office  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building, 1st Floor  
525 West Ottawa Street  
Lansing, Michigan 48933  
(517) 373-7117

**MINNESOTA**

Commissioner of Commerce  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1500

**NEW YORK**

(for service of process)

Attention: New York Secretary of State  
New York Department of State  
One Commerce Plaza,  
99 Washington Avenue, 6<sup>th</sup> Floor  
Albany, New York 12231-0001  
(518) 473-2492

(Administrator)

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8236 (Phone)

**NORTH DAKOTA**

(for service of process)

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue, Suite 414  
Bismarck, North Dakota 58505  
(701) 328-4712

(state agency)

North Dakota Securities Department  
600 East Boulevard Avenue, Suite 414  
Bismarck, North Dakota 58505  
(701) 328-2910

### **OREGON**

Oregon Division of Financial Regulation  
350 Winter Street NE, Suite 410  
Salem, Oregon 97301  
(503) 378-4140

### **RHODE ISLAND**

Securities Division  
Department of Business Regulations  
1511 Pontiac Avenue  
John O. Pastore Complex-Building 69-1  
Cranston, Rhode Island 02920  
(401) 462-9500

### **SOUTH DAKOTA**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

### **VIRGINIA**

(for service of process)

Clerk, State Corporation Commission  
1300 East Main Street  
First Floor  
Richmond, Virginia 23219  
(804) 371-9733

(for other matters)

State Corporation Commission  
Division of Securities and Retail Franchising  
Tyler Building, 9th Floor  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9051

### **WASHINGTON**

(for service of process)

Director Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501  
(360) 902-8760

(for other matters)

Department of Financial Institutions  
Securities Division  
P. O. Box 41200  
Olympia, Washington 98504-1200  
(360) 902-8760

### **WISCONSIN**

(for service of process)

Administrator, Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-2139

(state administrator)

Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-9555

## **EXHIBIT E**

### **TABLE OF CONTENTS OF TRAINING MANUALS**

#### **187 Total Pages**

There are six Operating Manuals produced by The Original Pancake House Franchising, Inc: Formula Manual, Grill Manual, Equipment Manual, Edible Product Manual, Server Manual and Manager Manual. The tables of contents for each manual follow this addendum, with page numbers added to correspond to this addendum. The tables of contents are in the order in which they are listed below. The number of pages directed to each subject in each of the Operating Manuals is as follows:

#### **Formula Manual (61 pages):**

There are forty-one pages on food rotation and storage; refrigeration; enzymes; mixing batters: whipping, blending and mixing. There is one page on cooked cereal. There is one page on omelettes. There is one page on corned beef hash. There are ten pages on sauces and syrups. There is one page on cinnamon sugar and clarified butter. There is one page on the cutting of meats. There are four pages on additional formulas and procedures. There is one page on weights and measures.

#### **Grill Manual (46 pages):**

There are twelve pages on food rotation and storage; refrigeration; grill chefs; whipping, blending and mixing grill pancakes and procedures. There are six pages on crepes. There are four pages on waffles. There are three pages on oven pancakes and procedures. There are six pages on egg range procedures. There are six pages on omelettes. There are two pages on cooked cereals. There are four pages on meat grill procedures. There are two pages on additional procedures. There is one page on temperatures.

#### **Equipment Manual (37 pages):**

There are thirty seven pages on equipment for the restaurant.

#### **Edible Product Manual (7 pages):**

There are seven pages on the edible products for the restaurant.

#### **Manager Manual (10 pages):**

There is one page on food rotation and storage; refrigeration; and manager's general managerial duties. There are three pages on the manager's daily opening guide. There are five pages on the manager's daily closing and cleanup guide. There is one page on the manager's weekly cleanup guide.

Server Manual (26 pages):

There are three pages on food rotation and storage; refrigeration; and server's basic guidelines for customer satisfaction. There is one page on the rules and order of service. There are ten pages on the description of menu items. There are three pages on abbreviations. There are two pages on server prep areas. There is one page on side work. There are five pages on formulas and procedures. There is one page on closing and cleaning up.



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**GENERAL RELEASE**

In partial consideration of the grant of approval for the transfer by \_\_\_\_\_ (“Transferor(s)”) of the Franchise Agreement for, and certain assets of, the Original Pancake House Restaurant operating at \_\_\_\_\_, to \_\_\_\_\_ (“Transferee(s)”), \_\_\_\_\_, under this Agreement and under any and all Existing Agreements, for his/her/its/their respective heirs, personal representatives, successors and assigns, hereby release, forever discharge and covenant not to sue OPHF and its owners, affiliates, employees, attorneys and agents and all their respective heirs, executors, administrators, successors and assigns, from and for any and all losses, claims, suits, actions, causes of action, liabilities, costs, damages or expenses (referred to together as the “Claims”) arising under any and all Existing License Agreements or Franchise Agreements or otherwise howsoever arising at any time prior to and through the date hereof, whether arising at law or in equity, directly or indirectly, and whether known or unknown. \_\_\_\_\_, represent(s) and warrant(s) that he/she/it/they have not assigned or otherwise transferred any of the Claims or any portion thereof. \_\_\_\_\_ acknowledge(s), represent(s) and warrant(s) that subsequent to the transfer for which this General Release is partial consideration \_\_\_\_\_ has/have no rights regarding The Original Pancake House restaurants, except as set forth immediately below.

The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

Transferor	Date
------------	------

**EXHIBIT G**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

**EXHIBIT B**  
**TO THE FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

THIS AGREEMENT is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and among **THE ORIGINAL PANCAKE HOUSE, FRANCHISING, INC.**, an Oregon corporation, (“COMPANY”), \_\_\_\_\_, (“FRANCHISE OWNER”), \_\_\_\_\_, a resident of \_\_\_\_\_ (“COVENANTOR”).

**WITNESSETH:**

**WHEREAS**, pursuant to the terms of that certain Franchise Agreement between COMPANY and FRANCHISEE dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), COMPANY has granted to FRANCHISEE the right to own and operate a THE ORIGINAL PANCAKE HOUSE Restaurant (the “RESTAURANT”) at \_\_\_\_\_ (the “Premises”) (all capitalized terms not defined herein shall have the respective meanings set forth in the Franchise Agreement);

**WHEREAS**, COVENANTOR is either an owner of FRANCHISEE or an employee of FRANCHISEE who will have access to some or all of the Confidential Information (as defined below) in connection with the operation of the RESTAURANT at the Premises;

**WHEREAS**, in consideration of the grant of the franchise for the RESTAURANT to FRANCHISEE and the employment of COVENANTOR (in the event COVENANTOR is an employee of FRANCHISEE), as a condition precedent to allowing COVENANTOR to have access to the Confidential Information, and as a material term of the Franchise Agreement necessary to protect COMPANY’s ownership interest in and FRANCHISEE’s right to use the Confidential Information, COMPANY and FRANCHISEE require that COVENANTOR enter into this Agreement; and

**WHEREAS**, in consideration of the grant of the franchise for the RESTAURANT to FRANCHISEE and to avoid a material breach thereof, as the case may be, COMPANY, FRANCHISEE and COVENANTOR desire, and deem it to be in COVENANTOR’s personal best interest, that COVENANTOR enter into this Agreement; and

**WHEREAS**, due to the nature of COMPANY’s business, any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause COMPANY and FRANCHISEE substantial harm.

**NOW, THEREFORE**, in consideration of the grant of the franchise for the RESTAURANT to FRANCHISEE and/or to prevent COMPANY from declaring a material breach thereunder, and in consideration of the covenants and mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Recitals.** The recitals set forth above shall be deemed to be incorporated herein as if fully set forth in this Agreement, and this Agreement shall be interpreted in light of such recitals.

2. **Definition of Confidential Information.** As used herein, the term “Confidential Information” shall mean certain confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, procedures and knowledge developed or to be developed or acquired by COMPANY, and its franchisees relating to the operation of THE ORIGINAL PANCAKE HOUSE restaurants (the “Confidential Information”), including, without limitation: (1) site selection criteria; (2) methods, techniques, formats, specifications, systems, procedures and knowledge of and experience in the development and operation of THE ORIGINAL PANCAKE HOUSE restaurants; (3) ingredients necessary to prepare food for the RESTAURANT according to COMPANY’s formulas and recipes; (4) ingredients of the stabilizer base used in the preparation of pancakes and similar food items sold by the RESTAURANT; (5) knowledge of specifications for and suppliers of certain food products, materials, supplies, equipment, furnishings and fixtures; and (6) knowledge of operating results and financial performance of THE ORIGINAL PANCAKE HOUSE restaurants.

3. **Protection of Confidential Information.** COMPANY will disclose to FRANCHISEE certain Confidential Information pursuant to the Franchise Agreement. COVENANTOR acknowledges and agrees that COVENANTOR will not acquire any interest in or right to use the Confidential Information, except the right to use it strictly in accordance with the Franchise Agreement, and that the use or duplication of the Confidential Information in any other business would be detrimental to COMPANY and would constitute an unfair method of competition with COMPANY and other THE ORIGINAL PANCAKE HOUSE restaurant franchise owners. COVENANTOR acknowledges and agrees that the Confidential Information is a valuable asset of COMPANY, is proprietary, includes trade secrets of COMPANY and is disclosed to COVENANTOR by FRANCHISEE solely on the condition that COVENANTOR agrees, and COVENANTOR hereby does agree, that COVENANTOR: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of the Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (4) will follow all reasonable procedures prescribed from time to time by COMPANY and FRANCHISEE to prevent unauthorized use or disclosure of or access to the Confidential Information. Nothing contained herein shall be construed to prohibit COVENANTOR from using the Confidential Information in connection with the operation of a THE ORIGINAL PANCAKE HOUSE restaurant (other than the RESTAURANT) pursuant to a franchise agreement with COMPANY. COVENANTOR agrees to disclose to COMPANY all ideas, concepts, methods, techniques and products relating to the development and operation of THE ORIGINAL PANCAKE HOUSE restaurants conceived or developed by COVENANTOR during the term of this Agreement, and COMPANY shall have a perpetual, non-exclusive and worldwide right to incorporate same in the ORIGINAL PANCAKE HOUSE system for use in all THE ORIGINAL PANCAKE HOUSE restaurants operated by COMPANY and its franchisees. COMPANY shall have no obligation to make any payment to COVENANTOR with respect to any idea, concept, method, technique or product developed or suggested by COVENANTOR and incorporated by COMPANY in the THE ORIGINAL PANCAKE HOUSE system. COVENANTOR agrees that COVENANTOR will not use any such concept, method, technique

or product in the operation of the RESTAURANT without obtaining COMPANY's prior written approval.

4. **Restrictive Covenant During the Term of the Franchise Agreement.** COVENANTOR acknowledges and agrees that COMPANY would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among THE ORIGINAL PANCAKE HOUSE restaurants if persons or entities authorized to use the Confidential Information were permitted to hold interests or perform services for a Competitive Business. As used in this Agreement, "Competitive Business" means any business operating or granting franchises or licenses to others to operate restaurants offering for sale pancakes, crepes, waffles and/or similar food items or any similar food service business. COVENANTOR further acknowledges that restrictions on his/her direct or indirect ownership of interests in a Competitive Business will not hinder COVENANTOR's activities in connection with FRANCHISEE's performance of the Franchise Agreement or in general. COVENANTOR therefore agrees that during the term of the Franchise Agreement and so long as COVENANTOR is either an owner or employee of FRANCHISEE, COVENANTOR shall not directly or indirectly engage in any Competitive Business. As used in this Agreement, the phrase "directly or indirectly engage in any Competitive Business" shall include, without limitation: (a) the ownership of an interest in a Competitive Business by COVENANTOR or a member of his/her immediate family; and (b) the performance of services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business by COVENANTOR or a member of his/her immediate family. FRANCHISEE and COVENANTOR acknowledge and agree that the failure of COVENANTOR or a member of his/her immediate family to comply with this Paragraph 4 or Paragraphs 5 or 6 below shall constitute a breach of this Agreement and the Franchise Agreement. The restrictions of this Paragraph and Paragraphs 5 and 6 below shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the total number of issued and outstanding shares of that class of securities.

5. **Restrictive Covenant upon Transfer of Covenantor's Ownership Interest in Franchise Owner.** If COVENANTOR transfers his/her entire ownership interest in FRANCHISEE and is not thereafter an employee, officer or director of FRANCHISEE, COVENANTOR agrees that COVENANTOR will not directly or indirectly engage in a Competitive Business located or operating within a fifteen (15) mile radius of the RESTAURANT or within a fifteen (15) mile radius of any other THE ORIGINAL PANCAKE HOUSE RESTAURANT for a period of one (1) year commencing on the effective date of such transfer.

6. **Restrictive Covenant upon Termination or Expiration of the Franchise Agreement.** Upon the first to occur of: (a) termination of the Franchise Agreement by COMPANY in accordance with its terms and conditions; (b) termination of the Franchise Agreement by FRANCHISEE other than in compliance with the terms of the Franchise Agreement; (c) expiration of the Franchise Agreement (without the grant of a successor franchise); or (d) the date as of which COVENANTOR is neither an owner nor employee of FRANCHISEE, COVENANTOR agrees that COVENANTOR shall not directly or indirectly engage in a Competitive Business located or operating within a fifteen (15) mile radius of the RESTAURANT or within a fifteen (15) mile radius of any other THE ORIGINAL PANCAKE HOUSE restaurant

for a period of one (1) year, commencing on the date of the applicable event described in clauses (a) through (d) above.

7. **Surrender of Documents.** COVENANTOR agrees that, as of the effective date of the earlier of (a) the covenant set forth in Paragraph 5, or (b) the covenant set forth in Paragraph 6, COVENANTOR shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by COVENANTOR, return to FRANCHISEE (or COMPANY if directed by COMPANY) all copies of the Confidential Information loaned or made available to COVENANTOR.

8. **Indemnification/Costs and Attorneys' Fees.** COVENANTOR agrees to indemnify and hold COMPANY and FRANCHISEE harmless from and against any and all loss, cost, damage, liability and expense (including, without limitation, reasonable attorneys' fees, court costs and other reasonable litigation expenses) suffered, sustained or incurred by COMPANY or FRANCHISEE as a result of, arising out of, or in connection with any failure of performance or breach of this Agreement by COVENANTOR. The party or parties prevailing in any judicial proceeding in connection with this Agreement shall be entitled to reimbursement of their costs and expenses, including, but not limited to, reasonable accounting, paralegal, legal, expert witness and attorneys' fees, whether incurred prior to, in preparation for or in contemplation of the filing of such proceeding.

9. **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.

10. **Severability.** The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision of this Agreement and any such provision which is adjudicated to be invalid or unenforceable shall be severed from this Agreement, provided that such severance is to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. To the extent any restriction herein is deemed unenforceable by virtue of its scope in terms of time, geography or business activity prohibited, but may be made enforceable by reducing any or all thereof, the parties agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction where enforcement is sought.

11. **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 hereunder shall preclude the exercise or enforcement by such party of any other right or remedy hereunder or which it is entitled by law to enforce.

12. **Benefit.** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

13. **Entire Agreement.** This Agreement contains the entire agreement among the parties hereto with respect to the subject matter hereof and all prior negotiations, agreements and

understandings are merged herein. This Agreement may not be modified or rescinded except by a written agreement to such effect signed by the party against whom enforcement is sought.

14. **Governing Law.** This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the internal laws of the state of Oregon except that its choice of law and conflict of law rules shall not apply and the Oregon Franchise Investment Law, as amended, shall not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

15. **Counterparts.** This Agreement may be executed in counterparts, each of which will be deemed an original.

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

Print name of **COVENANTOR** below:

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.**

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Signature of **COVENANTOR**:

\_\_\_\_\_



**EXHIBIT H**

**OWNER'S GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

**OWNER'S GUARANTY AND ASSUMPTION OF  
FRANCHISEE's OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the foregoing franchise agreement (the "Agreement") by THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC. ("COMPANY"), each of the undersigned ("GUARANTORS") hereby personally and unconditionally (1) guarantees to COMPANY and its affiliates and their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ (FRANCHISEE") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement. Each of the GUARANTORS waives:

- (1) acceptance and notice of acceptance by COMPANY and its affiliates of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right GUARANTOR may have to require that an action be brought against FRANCHISEE or any other person as a condition of liability;
- (5) all rights to payments and claims for reimbursement or subrogation which any of the GUARANTORS may have against FRANCHISEE arising as a result of the GUARANTORS' execution of and performance under this guaranty; and
- (6) any and all other notices and legal or equitable defenses to which GUARANTOR may be entitled.

Each of the GUARANTORS consents and agrees that:

- (1) each GUARANTOR's direct and immediate liability under this guaranty shall be joint and several;
- (2) each GUARANTOR shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses punctually to do so;
- (3) such liability shall not be contingent or conditioned upon pursuit by COMPANY or its affiliates of any remedies against FRANCHISEE or any other person; and
- (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which COMPANY or its affiliates may from time to time grant to FRANCHISEE or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which

shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

If COMPANY is required to enforce this Guaranty and Assumption of Obligations in any judicial or arbitration proceeding or appeal thereof, the GUARANTORS shall reimburse COMPANY for its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty and Assumption of Obligations.

**IN WITNESS WHEREOF**, each of the GUARANTORS has hereunto affixed his or her signature, under seal, on the same day and year as the Agreement was executed.

**PERCENTAGE OF OWNERSHIP  
INTERESTS IN FRANCHISEE**

**GUARANTOR(S)**

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DATE OF AGREEMENT

**EXHIBIT I**

**LIST OF CURRENT FRANCHISEES AND FRANCHISEES WHO LEFT THE SYSTEM**

## List of Current Franchisees as of December 31, 2024

\* Indicates holder of option to develop an area, territory or state

### ALABAMA

1931 11th Avenue South  
Birmingham, Alabama 35205  
205-933-8837  
Kenhunt, Inc.

3322 E. Chapman Avenue  
Orange, California 92869  
714-221-8674  
TOPH 1, LLC

1454 N. Kraemer Blvd.  
Placentia, California 92870  
714-983-7772  
Rowdy Pepper, Inc.

### ARIZONA

6840 East Camelback Road  
Scottsdale, Arizona 85251  
602-946-4902  
Flight to Quality, Inc.

14905 Pomerado Drive  
Poway, California 92064  
858-679-0186  
Lingham Investments, Inc.

### CALIFORNIA

26951 Moulton Parkway  
Aliso Viejo, California 92656  
949-643-8591  
Gourmet Pancakes, Inc.\*

1756 South Pacific Coast Highway  
Redondo Beach, California 90277  
310-543-9875  
Gourmet Pancakes, Inc.

1418 East Lincoln Avenue  
Anaheim, California 92805  
714-535-9815  
Adam Voll Restaurant Corp.

3906 Convoy Street  
San Diego, California 92111  
858-565-1740  
Setilli Investments, Inc.

160 South Rancho Santa Fe Road  
Encinitas, California 92024  
760-943-1939  
OPH of Rancho Sante Fe, L.L.C.

41377 Margarita Road, Suite 101  
Temecula, California 92591  
951-296-9016  
AMS Management Group

10035 Adams Avenue  
Huntington Beach, California 92646  
714-964-7500  
OPH Restaurant–Surf City, L.L.C.

435 S. Melrose Dr.  
Vista, California 92083  
760-758-3441  
Blue Star Properties, L.L.C.

420 South San Antonio Road  
Los Altos, California 94022  
650-559-9197  
Los Altos Pancake House, LLC

16363 Whittier Boulevard  
Whittier, California 90603  
562-315-5777  
YLOPH, Corp.

### COLORADO

1750 Hamner Avenue  
Norco, California 92860  
951-403-6900  
Food Dude, LLC

2909 E. Harmony Road, Suite 140  
Fort Collins, Colorado, 80528  
970-682-1029  
Yolo, Inc.

5900 South University Blvd.  
Greenwood Village, Colorado 80121  
303-795-0573  
Nutmeg, Inc.

8000 E. Bellevue  
Greenwood Village, Colorado 80111  
303-224-0093  
Jack Restaurant, L.L.C.

## FLORIDA

21215 Biscayne Blvd.  
Aventura, Florida 33180  
305-933-1966  
Aventura, LLC

8903 Glades Road  
Boca Raton, Florida 33434  
561-470-4880  
OPH Boca, L.L.C.

10599 W. Atlantic Blvd.  
Coral Springs, Florida 33071  
954-255-8080  
TSP Outsourcing and Services Coral Springs,  
LLC

1840 South Federal Highway  
Delray Beach, Florida 33443  
561-276-0769  
Delray, LLC

2851 North Federal Highway  
Fort Lauderdale, Florida 33304  
954-564-8881  
Ft. Lauderdale, LLC

9901 NW 41St. Street  
Miami, Florida 33178  
786-507-0564  
Doral OPH, L.L.C.

11510 S.W. 72nd Street  
Miami, Florida 33183  
305-274-9215  
TSP Outsourcing and Services, LLC

4360 Northlake Blvd.  
Palm Beach, Florida 33410  
561-721-2213  
PB Gardens, LLC

8640 Broward Boulevard  
Plantation, Florida 33324  
954-473-2771  
Plantation OPH, LLC

105 South State Road 7  
Royal Palm Beach, Florida 33408  
561-296-0878  
Royal palm, LLC

6650 Dykes Road,  
Southwest Ranches, Florida 33331  
954-272-0825  
SWR OPH, LLC

## GEORGIA

5530 Windward Parkway Building A,  
Alpharetta, Georgia 30004  
678-393-1355  
D. Bradley Enterprises, Inc.

7201-B Hodgson-Memorial Drive  
Savannah, GA 31406  
912-351-9333  
OPH-SAV, L.L.C.

## HAWAII

1414 Dillingham Boulevard  
Honolulu, Hawaii 96817  
808-847-1496  
Pancakes of Hawaii, Inc.

## IDAHO

5900 W Fairview Avenue  
Boise, Idaho 83704  
208-321-2614  
NA POCA, L.L.C.

## ILLINOIS

825 Dundee Road  
Arlington Heights, Ill. 60004  
847-392-6600  
Ray Walker\*

1909B West Springfield Avenue  
Champaign, Illinois 61820  
217-352-8866  
C-U Pancake House, Inc.

616 W. Diversey Parkway  
Chicago, Illinois, 60614  
773-929-8130  
#8 Zimmies, Inc.

1358 East 47th  
Chicago, Illinois 60653  
773-285-1400  
#3 Zimmies, Inc.

22 East Bellvue  
Chicago, Illinois 60611  
312-642-7917  
#7 Zimmies, Inc.

10437 South Western Avenue  
Chicago, Illinois 60643  
773-445-6100  
Richard Harrigan

1615 Waukegan Road  
Glenview, Illinois 60025  
847-724-0220  
Ray Walker

620 Central Avenue  
Highland Park, Illinois 60035  
847-432-0660  
Ray Walker

942 S LaGrange Road  
LaGrange, Illinois 60525  
708-469-7098  
Harrigan Brothers, Inc.

767 S. Rand Road  
Lake Zurich, Illinois 60047  
847-550-0006  
Walker Bros. Lake Zurich, Inc.

200 Marriott Drive  
Lincolnshire, Illinois 60069  
847-634-2220  
Ray Walker

115 Veterans Parkway  
Normal, Illinois 61761  
309-222-2533  
Normal Veterans Pancake House, LLC

5140 West 159th Street  
Oak Forest, Illinois 60452  
708-687-8282  
#6 Zimmies, Inc.

10900 S. Cicero Avenue  
Oak Lawn, Illinois 60453  
708-346-9800  
Harrigan Brothers, Inc.

15256 S. LaGrange Road  
Orland Park, Illinois 60462  
708-349-0600  
OPH #1, Inc.

106 South Northwest Highway  
Park Ridge, Illinois 60068  
847-696-1381  
Dale Eisenberg

7425 North Grand Prairie Drive  
Peoria, Illinois 61615  
309-839-2339  
Peoria Pancake House, LLC

18 S. Roselle Road  
Schaumburg, IL 60194  
847-565-8600  
Walker Bros. Schaumburg, Inc.

153 Green Bay Road  
Wilmette, Illinois 60091  
847-251-6000  
Ray Walker

## INDIANA

8395 E. 116<sup>th</sup> Street  
Fishers, Indiana 46038  
317-570-1245  
BTE Indiana, LLC

1518 West 86<sup>th</sup> Street  
Indianapolis, Indiana 46260  
317-872-1400  
BTE Indiana, LLC

14631 North Gray Road  
Noblesville, Indiana 46062  
317-804-9162  
BTE Indiana, LLC

1430 North Ironwood Drive  
South Bend, Indiana 46635  
574-232-3220  
N.L.L., Inc.

## MARYLAND

2020 Annapolis Mall Road  
Annapolis, Maryland 21401  
410-869-8888  
Esreb Group, Inc.

2400 Boston Street  
Baltimore, Maryland 21224  
443-869-2488  
OPH Baltimore, LLC

7700 Wisconsin Avenue  
Bethesda, Maryland 20814  
301-986-0285  
Bulman Enterprises, Inc.

12224 Rockville Pike  
Rockville, Maryland 20852  
301-468-0886  
OPH-II Inc.

## MICHIGAN

33703 Woodward Avenue  
Birmingham, Michigan 48009  
248-642-5775  
Frank & Johanna Hamilton\*

20273 Mack Avenue  
Grosse Pointe Woods, Michigan 48236  
313-884-4144  
Frank & Johanna Hamilton

19355 West Ten Mile Road  
Southfield, Michigan 48075  
248-357-3399  
Frank & Johanna Hamilton

## MINNESOTA

14351 Nicollet Ct.  
Burnsville, Minnesota 55306  
952-856-2646  
Farnam Restaurant 1, LLC

549 Prairie Center Drive  
Eden Prairie, Minnesota 55344  
952-224-9440  
Farnam Restaurant 1, LLC

3501 West 70<sup>th</sup> Street  
Edina, Minnesota 55435  
952-920-4444  
Farnam Restaurant 1, LLC

6322 Vinewood Lane  
Maple Grove, Minnesota 55311  
763-383-0888  
Flapjack, Inc.

17790 Highway 7  
Minnetonka, Minnesota 55345  
952-658-8750  
Flapjack Too, Inc.

1415 CR101  
Plymouth, Minnesota 55447  
952-475-9151  
Farnam Restaurant 1, LLC



1661 West County Rd B2  
Roseville, Minnesota 55113  
651-493-1222  
Farnam Restaurant 1, LLC

## MISSOURI

17000 Chesterfield Airport Road  
Chesterfield, Missouri 63005  
636-536-4044  
Dutch Treat, LLC

8817 Ladue Road  
Ladue, Missouri 63124  
314-932-1340  
Dutch Treat, LLC

## NEVADA

4170 S Fort Apache Rd.  
Las Vegas, NV 89147  
(702) 433-5800  
OPH of Las Vegas #5, Inc.

## NEW JERSEY

15 The Promenade  
Edgewater, New Jersey 07020  
201-366-4065  
Original Pancake House of Fort Lee, Inc.

61 US-1  
Metuchen, New Jersey 08840  
732-710-3826  
OPH of Woodbridge, LLC

817 Bloomfield Avenue  
West Caldwell, New Jersey 07006  
973-575-9161  
Original Pancake House of NJ, Inc.

## NEW YORK

2075 Niagara Falls Boulevard  
Amherst, NY 14228-3518  
716-691-8219  
OPH of Williamsville, Inc.

3019 Union Road  
Orchard Park, New York 14127  
716-674-3344  
OPH of Orchard Park, Inc.

170 Hamilton Avenue  
White Plains, New York 10601  
914-683-3770  
BTE Northeast, LLC

5479 Main Street  
Williamsville, New York 14221  
716-634-5515  
OPH of Williamsville, Inc.

## NORTH CAROLINA

4736 Sharon Road  
Charlotte, North Carolina 28210  
704-553-8364  
Hotcakes Charlotte, LLC

915 Charlottetowne Avenue  
Charlotte, North Carolina 28204  
704-372-7099  
Hotcakes Charlotte, LLC

## OHIO

8355 Beechmont Avenue  
Cincinnati, Ohio 45255  
531-386-7477  
Better Breakfast Co.

6330 E. Dublin Granville Road  
Columbus, Ohio 43081  
614-929-2076  
OPH of Albany, LLC

1633 W. Lane Avenue  
Upper Arlington, Ohio 43221  
614-695-6810  
OPH of Columbus, LLC\*

1516 Miamisburg-Centerville Road  
Dayton, Ohio 45459  
937-438-5720  
MBH Pancake House, Inc.

3000 Westgate  
Fairview Park, Ohio 44126  
440-333-5515  
28700 Chagrin Blvd, LLC

9977 Montgomery Road  
Montgomery, Ohio 45242  
513-745-0555  
Kaptain and Kim Enterprises, LLC

9403 Civic Centre Boulevard  
West Chester, Ohio 45069  
513-759-4300  
Union Centre Pancake House LLC

715 Worthington Rd.  
Westerville, Ohio 43082  
614-948-6200  
OPH of Westerville, LLC

28700 Chagrin Blvd.  
Woodmere, OH 44122  
216-292-7777  
28700 Chagrin Blvd, LLC

3310 West Central Avenue  
Toledo, Ohio 43606  
419-578-0342  
Westgate Original Pancake House, Inc.

#### OREGON

1025 Donovan St. SW  
Bend, Oregon 97702  
541-317-0380  
Erma Co., L.L.C.

782 East Broadway Avenue  
Eugene, Oregon 97401  
541-343-7523  
Daryl G. Taylor, Inc.

3030 SW 6<sup>th</sup> Street  
Redmond, Oregon 97756  
541-316-2515  
Ken & Betsy Mauch

4656 Commercial Street, S.E.  
Salem, Oregon 97302  
503-378-0431  
Kuchen, Inc.

685 North Portland Road, N.E.  
Salem, Oregon 97305  
503-393-9124  
Kuchen, Inc.

#### PENNSYLVANIA

2229 Swallow Hill Road  
Pittsburgh, Pennsylvania 15220  
412-279-1442  
OPH South Hills L.L.C.

8300 McKnight Road  
Roth Township, Pennsylvania 15237  
412-358-9622  
OPH North Hills, L.L.C.

#### SOUTH CAROLINA

4840 Forest Drive  
Columbia, South Carolina 29206  
803-782-6742  
Beducian, Inc.

#### SOUTH DAKOTA

2713 West 41<sup>st</sup> Street  
Sioux Falls, South Dakota 57105  
605-271-7222  
Pancakes and More, Inc.

#### TEXAS

1700 West Parmer Lane  
Austin, Texas 78727  
512-873-7200  
Austin Pancake House, LLC

5220 Beltline Rd., Suite 256  
Dallas, Texas 75240  
972-385-6468  
MYM, Limited  
Mark Bailey, Jonathan Seyoum

4343 W. Northwest Hwy., Suite 375  
Dallas, Texas 75220  
214-351-2012  
ZFZ, Inc.

2900 Lemon Ave West, Suite 100  
Dallas, Texas 75204  
214-528-7215  
OPH IV, Inc.

4646 SW Loop 820  
Ft. Worth, Texas 75220  
817-717-4406  
OPH-H2, LLC

1505 William D. Tate Blvd.  
Grapevine, Texas 76051  
817-421-3444  
OPH VI, L.L.C.

2301 North Central Expwy #156  
Plano, Texas 75075  
972-423-2889  
MYM, Limited

5760 State Highway 121, Suite 125  
Plano, Texas 75024  
972-712-212  
OPH V, Inc.

#### UTAH

1647 W Traverse Parkway  
Lehi, Utah 84043  
801-523-6411  
Hotcakes Utah, L.L.C.

7044 Union Park Avenue  
Midvale, Utah 84047  
801-566-5128  
Hotcakes Utah, L.L.C.

3843 13400 S  
Riverton, Utah 84065  
801-999-4104  
Hotcakes Utah, L.L.C.

790 East 2100 South  
Salt Lake City, UT 84106  
801-484-7200  
Hotcakes Utah, L.L.C.

17 East 11400 South  
Sandy, UT 84070  
801-523-6411  
Hotcakes Utah, L.L.C.

#### VIRGINIA

7395 M Lee Parkway  
Falls Church, Virginia 22042  
703-698-6292  
OPH III, Inc.

#### WASHINGTON

1904 201<sup>st</sup> PL SE  
Bothell, WA 98012  
425-419-4476  
BTE Management Co.

5601 Soundview Dr.  
Gig Harbor, WA 98335  
253-777-0520  
BTE Holding Co.

3717 Plaza Way  
509-572-3600  
Kennewick, WA 99337  
BTE Breakfast Company IV, Inc.

26820 Maple Valley Highway  
Maple Valley, Washington 98038  
425-433-8144  
BTE Breakfast Co II, L.L.C.

16116 Meridian East  
Puyallup, Washington 98375  
253-604-0791  
BTE Breakfast, Co.

7425 166<sup>th</sup> Avenue, N.E., Suite C-205  
Redmond, Washington 98033  
425-827-7575  
BTE Management Co.

424 Keene Road  
Richland, Washington 99352  
509-203-7575  
BTE Breakfast Co V, Inc.

245 W Main Ave, Spokane, WA 99202  
509-795-5955  
BTE Management Co.

601 Pine Street  
Tacoma, Washington 98405  
253-212-0580  
BTE Breakfast Co III

#### WISCONSIN

16460 W Bluemound Road  
Brookfield, Wisconsin 53005  
262-797-0800  
Brookfield OPH, L.L.C.

5518 University Avenue  
Madison, Wisconsin 53705  
608-231-3666  
Swing and a Bouncer, Inc.

#### JAPAN

434-1 Ryumyouji Chikushino-shi Fukuoka, 818-0042, Japan  
819094648873  
Foocle, Inc.

6-351 Naka, Hakata-ku, Fukuoka City, Fukuoka 812-0893  
819094648873  
Foocle, Inc.

Hakata marui 2F  
9-1 Hakataeki Chuohgai Hakata-ward, Fukuoka-city, 812-0012 Fukuoka, Japan  
819094648873  
Foocle, Inc.

3-5-26 Kasuga Nishi-ku  
Kumamoto City, Kumamoto, Japan  
819094648873  
Foocle, Inc.

Amu Plaza  
1-14 Kanamecho  
Oita-shi, Oita 870-0831, Japan  
819094648873  
Foocle, Inc.

Namba Park  
2-10-70 Nanbanaka, Naniwa-ku Osaka-shi, Osaka, Japan  
819094648873  
Foocle, Inc.

Lumine Est Shinjuku 7F  
3-38-1 Shinjuku  
Shinjuku-ward 160-0022, Tokyo  
819094648873  
Foocle, Inc.

Kitasenu  
42-2 Asahi-machi  
Senjuasahicho  
Adachi-ku, Tokyo 120-0026 Japan  
Tel 819094648873  
Foocle, Inc.

Marui Kichijoji 1F  
1-7-1 Kichijoji Minamicho Musashino-Si, Tokyo  
Tel 819094648873  
Foocle, Inc.

Ariake Garden 2-1-8 Ariake, Koto-Ku, Tokyo 135-0063, Japan  
81355796433  
Foocle, Inc.

#### KOREA

1<sup>st</sup> Fl Tech One Bldg.  
131 Bundang naegok-Ro Bundang-Gu  
Seongnam-Si Gyunnggi-Do Korea  
Tel 82-02-795-7481  
The Original Pancake House Korea Corp., Ltd

Camp Humphreys, Korea  
Tel 82-02-795-7481  
The Original Pancake House Korea Corp., Ltd

2<sup>nd</sup> Fl, Pastel Plaza  
66-2 Jamwon-Dong Seocho-Gu, Korea  
Tel 82-02-795-7481  
The Original Pancake House Korea Corp., Ltd

523-20 Sinsa-Dong  
Gangnam-Gu, Seoul, Korea  
Tel 82-02-511-7481  
The Original Pancake House Korea Corp., Ltd.

175 Sejong-Daero  
Jongno-Gu, Seoul Korea  
Tel 82-02-795-7481  
The Original Pancake House Korea Corp., Ltd

172-2 Itaewon-Dong,  
Yongsan-Gu, Seoul, Korea  
Tel 82-02-795-7481  
The Original Pancake House Korea Corp., Ltd

Camp Humphreys, Korea 2<sup>nd</sup> location  
Tel 82-02-795-7481  
The Original Pancake House Korea Corp., Ltd

B1 Fl, KT Songpa Bldg.  
209 Jamsil-Ro Songpa, Seoul, Korea  
Tel 82-02-578-7481  
The Original Pancake House Korea Corp., Ltd

1st Floor, Lotte Cinema Dogok  
174-3 Dogok-Dong Gangnum-Gu, Seoul, Korea  
Tel 82-02-578-7481  
The Original Pancake House Korea Corp., Ltd

Below is a list of franchisees who left the system during 2024. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

<b>Name</b>	<b>City, State</b>	<b>Current Business Phone Number or Last Known Home Phone Number</b>
Mike Setilli* (2)	Encinitas, California San Diego, California	858-565-1740
TOP H Enterprises, LLC	Atlanta, Georgia	406-395-1387
Forever Holdings, LLC	Stone Mountain, Georgia	406-395-1387
OPH North Carolina, Inc*	Charlotte, North Carolina	803-782-6742
OPH Factory South, L.L.C*	Charlotte, North Carolina	803-782-6742
Ken and Betsy Mauch* (2)	Bend, Oregon Redmond, Oregon	541-420-9531
Tom Jednorowicz*	Austin, Texas	312-404-6583
Original Pancake House Korea Corp., Ltd.,	Seoul, South Korea	82-02-511-7481

\*Transfers.

#### **OPTION HOLDERS:**

26951 Moulton Parkway Aliso Viejo, California 92656  
949-643-8591  
Gourmet Pancakes, Inc.

825 Dundee Road  
Arlington Heights, Illinois 60004  
847-392-6600  
Ray Walker

33703 Woodward Avenue Birmingham, Michigan 48009  
248-642-5775  
Frank & Johanna Hamilton

1633 W. Lane Avenue Upper Arlington, Ohio 43221  
614-695-6810  
OPH of Columbus, LLC

Note: Each of these franchisees also appear on Exhibit I, as each one currently has at least 2 Restaurants open and operating.

**EXHIBIT J**

**LIST OF FRANCHISEES  
WHO HAVE SIGNED AN AGREEMENT  
BUT NOT YET OPENED  
AN OUTLET**

## CALIFORNIA (2)

26951 Moulton Parkway  
Aliso Viejo, California 92656  
949-643-8591  
Gourmet Pancakes, Inc.

## MISSOURI

1700 Chesterfield Airport Road,  
Chesterfield, Missouri 63124  
314-932-1340  
Dutch Treat, LLC

## NEW MEXICO

5151 Journal Center Blvd. NE  
Albuquerque, New Mexico 87109  
505-934-5110  
The Original Pancake House Abq LLC

## NEW YORK

170 Hamilton Avenue,  
White Plains, NY 10601  
914-683-3770  
BTE Northeast, LLC

## OHIO

1633 W. Lane Avenue,  
Upper Arlington, Ohio 43221  
614-695-6810  
OPH of Columbus, LLC

## TEXAS (2)

5220 Beltline Rd. Suite 256  
Dallas, Texas 75240  
972-385-6468  
MYM, Limited, Mark Bailey, Jonathan Seyoum

Note: Each of these franchisees also appear on Exhibit I, as each one currently has at least 1 Restaurant open and operating.



**EXHIBIT K**  
**STATE ADDENDA**

**STATE LAW ADDENDA  
TO FRANCHISE DISCLOSURE DOCUMENT  
AND STATE LAW RIDERS  
TO FRANCHISE AGREEMENT**

The following are additional disclosures for the Franchise Disclosure Document of The Original Pancake House Franchising, Inc. required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

**NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES**

The following provision applies only to franchisees and franchises that are subject to the 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 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.

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF CALIFORNIA**

1.     **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.**

2.     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 FRANCHISE DISCLOSURE DOCUMENT.

3.     SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

4.     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.

5.     Our website, [www.originalpancakehouse.com](http://www.originalpancakehouse.com), has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

6.     The following is added at the end of Item 3:

Neither we nor any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

7.     The following is added to the “Remarks” column of the line-item titled “Interest on late payments” in Item 6:

The highest interest rate allowed under California law is 10% annually.

8. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement and the Option Agreement requires application of the laws of the State of Oregon with certain exceptions. This provision might not be enforceable under California law.

The Franchise Agreement provides for termination upon insolvency, bankruptcy, or re-organization. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 et seq.).

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of your franchise. The Option Agreement requires you to sign a general release of claims upon transfer of the Option Agreement or any ownership interest in you. 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. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

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 the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement contains a provision requiring you to agree to waive your right to punitive or exemplary damages against Franchisor or any of its representatives, limiting your recovery to actual damages. Under California Corporations Code Section 31512, this provision is not enforceable in California for any claims you may have under the California Franchise Investment Law.

9. No statement, questionnaire, or acknowledgment 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.

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF HAWAII**

**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 REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES 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 OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR 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.**

1. The following paragraph is added to the end of Item 17 of the Franchise Disclosure Document:

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.

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF ILLINOIS**

1. The following statements are added to the end of Item 17:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, Illinois law governs the Franchise Agreement and the Option 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 the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

2. Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. 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.

4. By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

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.

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF MARYLAND**

1. The following is added to the end of Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

2. The following language is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for Franchisor approval of transfer**:

Any release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law. (The form of general release that we currently intend to use in connection with transfers and renewals is provided in Exhibit F of this Franchise Disclosure Document.)

3. The following language is added to the end of the "Summary" sections of Item 17(h), entitled **"Cause" defined – non-curable defaults**:

The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.), but we will enforce it to the extent enforceable.

4. The "Summary" sections of Item 17(v), entitled **Choice of forum** are amended to add the following:

, and to the extent required by the Maryland Franchise Registration and Disclosure Law, you may bring an action in Maryland.

5. The "Summary" sections of Item 17(w), entitled **Choice of law**, are deleted in their entirety and the following is substituted in their place:

Oregon law generally applies, except for the Federal Arbitration Act, other federal law, and claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

7. No statement, questionnaire, or acknowledgment 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.

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF MINNESOTA**

1. The following language is added to the end of the “Summary” sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer by franchisee**:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

2. The line item in Section 6 entitled “Liquidated Damages” is deleted to the extent required by applicable law.
3. The sixth paragraph of Item 13 after the trademark chart is deleted in its entirety and the following is substituted in its place:

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademark, and may not communicate with any person other than us or our counsel in connection with any such infringement, challenge or claim. We will take the action we think appropriate. You are obligated to execute any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our counsel, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the trademarks. If you have complied with all of our requirements that apply to the trademarks, we will protect your right to use the principal trademarks and indemnify you from any loss, costs, or expenses arising out of any claims, suits, or demands regarding your use of the Marks, in accordance with Minn. Stat. Sec. 80C.12, Subd. 1(g).

3. The following paragraphs are added to the end of Item 17:

For franchises governed by the Minnesota Franchises 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 of non-renewal of the applicable agreement.

Minnesota Statutes, Section 80C.21 and Minn. Rule 2860.4400(J) 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 agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. However, we and you will enforce these provisions in the applicable agreement to the extent the law allows.

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF NEW YORK**

1. The following information is 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 FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR 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 to 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 information is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (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 debt under the 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 that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

We use the initial franchise fee to partially defray our costs in assisting you during your opening of the Restaurant, such as for our training expenses.

5. The following is added to the end of the “Summary” sections of 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 Section 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” sections of Item 17(j), entitled **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” sections of Item 17(j), entitled **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 is added to the end of the “Summary” sections of Item 17(v), entitled **Choice of forum**, and Item 17(w), entitled **Choice of law**:

The foregoing 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.

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF NORTH DAKOTA**

1. The following language is added to the end of the “Summary” sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer:**

; provided, however, that this general release shall not apply to the extent prohibited by the North Dakota Franchise Investment Law (as amended)

2. The following language is added to the end of the “Summary” section of Item 17(r), entitled **Non-competition covenants after the franchise is terminated or expires:**

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

3. The following language is added to the end of the “Summary” section of Item 17(v), entitled **Choice of forum:**

, however, to the extent required by applicable law, you may bring an action in North Dakota

4. The “Summary” section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following language:

Except for federal law, to the extent required by law, North Dakota law applies

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF VIRGINIA**

1. The following is added to the end of the “Summary” sections of Item 17(h), entitled **“Cause” defined – non-curable defaults:**

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 grounds for default or termination stated in the Franchise Agreement do 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.

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
STATE OF WASHINGTON**

1. The following paragraph is added to the end of Item 5:

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Option Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

2. The following paragraphs are added to the end of Item 17:

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.

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### **ASSURANCE OF DISCONTINUANCE STATE OF WASHINGTON**

To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance ("AOD") with the State of Washington, where we have agreed to remove from our form franchise agreement a provision which restricts a franchisee from soliciting and/or hiring the employees of our other franchisees and/or our employees, which the Attorney General alleges violates Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about

the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
FRANCHISE AGREEMENT**

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN CALIFORNIA**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Restaurant was made in California and you are a California resident and/or (b) the Restaurant will operate in California.

2.     **Site Selection.** Section 2.A, titled “Site Selection,” of the Franchise Agreement is deleted in its entirety.

3.     **Termination of Agreement.** The following language is added to the end of Section 17.B(2) of the Franchise Agreement:

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.).

4.     **Covenant not to Compete.** The following language is added to the end of Section 18.D. of the Franchise Agreement:

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.

5.     **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Section 20.F. of the Franchise Agreement:

The franchise agreement requires application of the laws of the State of Oregon. This provision may not be enforceable under California law.

6.     **Limitation of Claims.** The following language is added to the end of Section 20.H., titled “Limitations of Claims,” of the Franchise Agreement:

, except that any and all claims arising under the California Franchise Investment Law must be brought before the earlier of: (a) four (4) years after the act or transaction constituting the violation; (b) one (1) year after the discovery by Franchisee of the fact constituting the violation; or (c) ninety (90) days after delivery to Franchisee of a written notice disclosing any violation of the California Franchise Investment Law.

7. **Waiver of Punitive Damages.** The following language is added to the end of the Section 20.I, titled “Waiver of Punitive Damages,” of the Franchise Agreement:

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

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.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By:\_\_\_\_\_

Its:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Maryland, and/or (b) the Restaurant will be located or operated in Maryland.

2.     **Releases.** The following language is added at the end of Section 15.C.(6), titled “Conditions for Approval of Transfer,” and Section 16.C., titled “Agreements/Releases,” of the Franchise Agreement:

; provided, however, that such general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3.     **Initial Franchise Fee.** The following language is added to the end of Section 5.A., titled “Franchise Fee,” of the Franchise Agreement:

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

4.     **Governing Law.** The first sentence of Section 20.F. of the Franchise Agreement, entitled “Governing Law/Consent to Jurisdiction,” is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, and except as otherwise required by law for claims arising under the Maryland Franchise Registration and Disclosure Law, this agreement, the Franchise and the relationship between COMPANY and FRANCHISEE shall be governed by and construed in accordance with the internal laws of the State of Oregon, except that its choice of law and conflict of law rules shall not apply and the Oregon Franchise Investment Law, ORS., {650.005 et seq. (Supp. 1987), as amended, shall not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

5.     **Termination.** The following language is added to the end of Section 17.B.(2), titled “Termination of Agreement”:



; however, such provision might not be enforceable under federal bankruptcy law (11 U.S.C. Section 1010 et seq.), although we intend to enforce it to the extent enforceable.

6. **Jurisdiction.** The following language is added to the end of Section 20.F., titled “Governing Law/Consent to Jurisdiction,” of the Franchise Agreement:

Notwithstanding the foregoing, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **Acknowledgements.** The following language is added to the end of Section 22 of the Franchise Agreement, titled “Acknowledgements”:

Such representations 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.

8. **Limitations of Claims.** The following language is added to the end of Section 20.H., titled “Limitations of Claims,” of the Franchise Agreement:

, except that any and all claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Restaurant you will operate under the Franchise Agreement was made in the State of Minnesota, and/or (b) the Restaurant will be located or operated in Minnesota.

2.     **Releases.** The following language is added at the end of Section 15.C.(6), titled “Conditions for Approval of Transfer,” and Section 16.C., titled “Agreements/Releases,” of the Franchise Agreement:

Any release as a condition of renewal and/or assignment or transfer will not apply to the extent prohibited by law with respect to claims arising under Minn. Rule 2860.4400 D.

3.     **Termination and Grant of Successor Franchise.** The following language is added to the end of Section 17.B. of the Franchise Agreement, titled “Termination of Agreement,” and to the end of Section 16.A. of the Franchise Agreement, titled “Franchisee’s Right to Acquire a Successor Franchise”:

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. Section 80C.14, subds. 3, 4 and 5 require, except in certain specified cases, that you be given ninety (90) days’ notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days’ notice for non-renewal of this Agreement.

4.     **Governing Law and Consent to Jurisdiction.** The following language is added to the end of Section 20.F., titled “Governing Law/Consent to Jurisdiction,” of the Franchise Agreement:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rule part 2860.4400(J), this section shall not in any way abrogate or reduce your rights as provided for in Minnesota Statutes 1984, chapter 80c, including the right to submit matters to the jurisdiction of the courts of Minnesota.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota or requiring waiver of a jury trial.

5. **Waiver of Jury Trial and Waiver of Punitive Damages.** The following language is added to the beginning of Sections 20.J., titled “Waiver of Jury Trial,” and 20.I, titled “Waiver of Punitive Damages,” of the Franchise Agreement:

Except as otherwise required by the Minnesota Franchises Law,

6. **Use of Marks.** The following language is added at the end of Section 4.D., titled “Notification of Infringements and Claims,” of the Franchise Agreement:

Provided you have complied with all provisions of the Franchise Agreement applicable to the Marks, we will protect your right to use the Marks and indemnify you from any loss, costs, or expenses arising out of any claims, suits, or demands regarding your use of the Marks, in accordance with Minn. Stat. Sec. 80C.12, Subd. 1(g).

7. **Exclusive Relationship.** The following language is added to the end of Section 7, titled “Exclusive Relationship,” and Section 18.D., titled “Covenant Not to Compete,” of the Franchise Agreement:

Pursuant to Section 80C.14, Chapter 2860.4400, paragraph (J) of the Rules and Regulations promulgated by the Securities Division of the Minnesota Department of Commerce pursuant to the Minnesota Franchise Act, this Franchise Agreement shall not, to the extent prohibited by law, provide for liquidated damages upon the occurrence of any event.

8. **Limitations of Claims.** The following language is added to the end of Section 20.H, titled “Limitations of Claims,” of the Franchise Agreement:

Minnesota law provides that no action may be commenced pursuant to Minn. Stat. Section 80C.17 more than three (3) years after the cause of action accrues. Minn. Stat. Section 80C.17, subd. 5.

9. **Injunctive Relief.** Section 20.C., titled “Injunctive Relief,” of the Franchise Agreement, is deleted in its entirety and the following is substituted in its place:

COMPANY and FRANCHISEE shall each have the right in a proper case to obtain temporary or preliminary injunctive relief from a court of competent jurisdiction. FRANCHISEE agrees that COMPANY may have such temporary or preliminary injunctive relief, but upon due notice, and FRANCHISEE's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). Any such action shall be brought as provided in Paragraph F below.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN NEW YORK**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Restaurant you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the Restaurant in New York.

2.     **Releases.** The following language is added at the end of Section 15.C.(6), titled “Conditions for Approval of Transfer,” and Section 16.C., titled “Agreements/Releases,” of the Franchise Agreement:

; provided, however, that all rights enjoyed by you 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 GBL Sections 687.4 and 687.5 be satisfied.

3.     **Assignment by Franchisor.** The following language is added to the end of Section 15.A., titled “Transfer,” of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4.     **Termination.** The following language is added to the end of Section 17.A., titled “Termination of Agreement,” of the Franchise Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5.     **Governing Law.** The following language is added after the first sentence of Section 20.F., titled “Governing Law/Consent to Jurisdiction,” of the Franchise Agreement:

**; HOWEVER, THE GOVERNING CHOICE OF LAW SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE NEW YORK STATE GENERAL BUSINESS LAW.**

6. **Jurisdiction.** The following language is added to the end of Section 20.F., titled “Governing Law/Consent to Jurisdiction,” of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

7. **Limitations of Claims.** The following language is added to the end of Section 20.H., titled “Limitations of Claims,” of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights 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 provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

8. **Application of Rider.** There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of North Dakota and the Restaurant that you will operate under the Franchise Agreement is located in the State of North Dakota and/or (b) the offering or sales activity occurs within the State of North Dakota.

2.     **Releases.** The following language is added at the end of Section 15.C.(6), titled “Conditions for Approval of Transfer,” and Section 16.C., titled “Agreements/Releases,” of the Franchise Agreement:

; provided, however, that such general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

3.     **Exclusive Relationship.** The following language is added to the end of Section 7, titled “Exclusive Relationship,” and Section 18.D., titled “Covenant Not to Compete,” of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4.     **Governing Law.** The following language is added after the first sentence of Section 20.F., titled “Governing Law/Consent to Jurisdiction,” of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, this Agreement will be governed by the laws of the State of North Dakota.

5.     **Consent to Jurisdiction.** The following language is added to the end of Section 20.F., titled “Governing Law/Consent to Jurisdiction,” of the Franchise Agreement:

Notwithstanding the foregoing, if and to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

6.     **Waiver of Jury Trial and Waiver of Punitive Damages.** If and to the extent required by the North Dakota Franchise Investment Law, Sections 20.J., titled “Waiver of Jury Trial,” and 20.I, titled “Waiver of Punitive Damages,” of the Franchise Agreement are deleted in their entirety.

7. **Limitation of Claims.** The following language is added to the end of Section 20.H., titled "Limitations of Claims," of the Franchise Agreement:

WE AND YOU ACKNOWLEDGE THAT THE TIME LIMITATIONS SET FORTH IN THIS SECTION MIGHT BE MODIFIED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW AND THAT OTHER PROVISIONS OF THIS SECTION 20.H. MIGHT NOT BE ENFORCEABLE UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW; HOWEVER, WE AND YOU AGREE TO ENFORCE THE PROVISIONS OF THIS SECTION 20.H. TO THE MAXIMUM EXTENT THE LAW ALLOWS.

8. **Application of Rider.** Each provision of this Rider shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, as amended, are met independently without reference to this Rider.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE



**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN WASHINGTON**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. The provisions of this Rider form an integral part of, are incorporated into, and modify 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.

2.     **Initial Fees.** The following is added to the end of Section 5.A. of the Franchise Agreement:

In lieu of an impound of franchise fees, we will not require or accept the payment of any initial franchise fees until you (a) have received all pre-opening and initial training obligations that you are entitled to under the Franchise Agreement or offering circular, and (b) are open for business.

3.     **Addition of Paragraphs.** The following paragraphs are added to the end of the Franchise Agreement:

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.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
OPTION AGREEMENT**

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
OPTION AGREEMENT  
FOR USE IN ILLINOIS**

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.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By:\_\_\_\_\_

Its:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
OPTION AGREEMENT  
FOR USE IN MARYLAND**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Option Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Option Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Option Agreement. This Rider is being signed because (a) you are a resident of Maryland, and/or (b) the Restaurant(s) will be located or operated in Maryland.

2.     **Initial Franchise Fee.** The following language is added to the end of Section 6(B)(1):

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

3.     **Releases.** The following language is added at the end of Paragraph (6)(C) of the Option Agreement:

; provided, however, that such general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4.     **Governing Law.** The first sentence of Section (13) of the Option Agreement is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, and except as otherwise required by law for claims arising under the Maryland Franchise Registration and Disclosure Law, this agreement, and the relationship between OPHF and Franchisee shall be governed by and construed in accordance with the internal laws of the State of Oregon, except that its choice of law and conflict of law rules shall not apply and the Oregon Franchise Investment Law, ORS., §650.005 et seq. (Supp. 1987), as amended, shall not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

5. **Jurisdiction.** The following language is added to the end of Paragraph (13) of the Option Agreement:

Notwithstanding the foregoing, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its:\_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE



**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
OPTION AGREEMENT  
FOR USE IN MINNESOTA**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Option Agreement dated \_\_\_\_\_, 20\_\_ (the “Option Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Option Agreement. This Rider is being signed because (a) the offer or sale related to the Option Agreement was made in the State of Minnesota, and/or (b) the Restaurant(s) will be located or operated in Minnesota.

2.     **Releases.** The following language is added at the end of Paragraph (6)(C) of the Option Agreement:

Any release as a condition of execution of the First Option Franchise Agreement or Subsequent Option Franchise Agreements will not apply to the extent prohibited by law with respect to claims arising under Minn. Rule 2860.4400 D.

3.     **Termination.** The following language is added to the end of Paragraph (10) of the Option Agreement:

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. Section 80C.14, subds. 3, 4 and 5 require, except in certain specified cases, that you be given ninety (90) days’ notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days’ notice for non-renewal of this Agreement.

4.     **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Paragraph (13) of the Option Agreement:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rule part 2860.4400(J), this paragraph shall not in any way abrogate or reduce your rights as provided for in Minnesota Statutes 1984, chapter 80c, including the right to submit matters to the jurisdiction of the courts of Minnesota.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota or requiring waiver of a jury trial.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
OPTION AGREEMENT  
FOR USE IN NEW YORK**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Option Agreement dated \_\_\_\_\_, 20\_\_ (the “Option Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Option Agreement. This Rider is being signed because (a) the offer or sale of the franchise related to the Option Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the Restaurant(s) in New York.

2.     **Releases.** The following language is added at the end of Paragraph (6)(C) of the Option Agreement:

; provided, however, that all rights enjoyed by you 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 GBL Sections 687.4 and 687.5 be satisfied.

3.     **Assignment by Franchisor.** The following language is added at the end of Paragraph (9)(A) of the Option Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4.     **Termination.** The following language is added to the end of Paragraph (10) of the Option Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

6.     **Governing Law/Jurisdiction.** The following language is added to the end of Paragraph (13) of the Option Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Paragraph shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

7.     **Application of Rider.** There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when

the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
OPTION AGREEMENT  
FOR USE IN NORTH DAKOTA**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1.     **Background.** We and you are parties to that certain Option Agreement dated \_\_\_\_\_, 20\_\_ (the “Option Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Option Agreement. This Rider is being signed because (a) you are a resident of the State of North Dakota and will operate the Restaurant(s) in the State of North Dakota and/or (b) the offering or sales activity occurs within the State of North Dakota.

2.     **Releases.** The following language is added at the end of Paragraph (6)(C) of the Option Agreement:

; provided, however, that such general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

3.     **Governing Law.** The following language is added after the first sentence of Paragraph (13) of the Option Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, this Agreement will be governed by the laws of the State of North Dakota.

4.     **Consent to Jurisdiction.** The following language is added to the end of Paragraph (13) of the Option Agreement:

Notwithstanding the foregoing, if and to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5.     **Application of Rider.** Each provision of this Rider shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, as amended, are met independently without reference to this Rider.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**RIDER TO  
THE ORIGINAL PANCAKE HOUSE FRANCHISING, INC.  
OPTION AGREEMENT  
FOR USE IN WASHINGTON**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between ORIGINAL PANCAKE HOUSE FRANCHISING, INC., an Oregon corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Option Agreement dated \_\_\_\_\_, 20\_\_ (the “Option Agreement”) that has been signed concurrently with the signing of this Rider. The provisions of this Rider form an integral part of, are incorporated into, and modify the option 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.

2. **Fee Deferral.** The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Option Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

3. **Addition of Paragraphs.** The following paragraphs are added to the end of the Option Agreement:

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.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Amendment in \_\_\_\_\_ counterparts on the day and year first written above.

**FRANCHISOR:**

**THE ORIGINAL PANCAKE HOUSE  
FRANCHISING, INC.,**  
an Oregon Corporation

By: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

Its: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	April 3, 2025
Minnesota	Pending
New York	Pending
North Dakota	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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 L RECEIPTS

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Original Pancake House Franchising, Inc. offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York requires 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 or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If The Original Pancake House Franchising, Inc. 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 your state agency (as identified on Exhibit D to this disclosure document).

The name, principal address and telephone number of each franchise seller offering the franchise:

Elizabeth Hightet and Jonathan Liss; 8601 SW 24<sup>th</sup> Avenue, Portland, Oregon 97219 503-246-4955

Issuance Date: April 3, 2025

The Original Pancake House Franchising, Inc. authorizes the Agents for Service of Process listed in Exhibit D to receive service of process for the Franchisor.

I have received a Franchise Disclosure Document dated April 3, 2025, including the following exhibits:

- |   |   |
|---|---|
| A. Franchise Agreement                    | H. Owner's Guaranty and Assumption of     |
| B. Option Agreement                       | Franchisee's Obligations                  |
| C. Financial Statement                    | I. List of Current Franchisees and        |
| D. List of State Franchise Administrators | Franchisees Who Left the System           |
| E. Table of Contents of Training Manuals  | J. List of Franchisees who have signed an |
| F. General Release                        | agreement but not yet opened an outlet    |
| G. Confidentiality and Non-Competition    | K. State Addenda                          |
| Agreement                                 | L. Receipts                               |

\_\_\_\_\_  
DATE

\_\_\_\_\_  
PROSPECTIVE FRANCHISEE

\_\_\_\_\_  
Print Name

You may return the signed receipt either by signing, dating, and mailing it to The Original Pancake House Franchising, Inc., 8601 SW 24th Avenue, Portland, Oregon 97219, or by faxing a copy of the signed and dated receipt to The Original Pancake House Franchising, Inc., at 503-245-2396.

## EXHIBIT L RECEIPTS

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Original Pancake House Franchising, Inc. offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

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If The Original Pancake House Franchising, Inc. 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 your state agency (as identified on Exhibit D to this disclosure document).

The name, principal address and telephone number of each franchise seller offering the franchise:

Elizabeth Highet and Jonathan Liss; 8601 SW 24<sup>th</sup> Avenue, Portland, Oregon 97219 503-246-4955

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- |  |  |
|--|--|
| A. Franchise Agreement                           | H. Owner's Guaranty and Assumption of Franchisee's Obligations                   |
| B. Option Agreement                              | I. List of Current Franchisees and Franchisees Who Left the System               |
| C. Financial Statement                           | J. List of Franchisees who have signed an agreement but not yet opened an outlet |
| D. List of State Franchise Administrators        | K. State Addenda   |
| E. Table of Contents of Training Manuals         | L. Receipts  |
| F. General Release                               |  |
| G. Confidentiality and Non-Competition Agreement |  |

\_\_\_\_\_  
DATE

\_\_\_\_\_  
PROSPECTIVE FRANCHISEE

\_\_\_\_\_  
Print Name

You may keep the signed receipt for your own records.