FRANCHISE DISCLOSURE DOCUMENT

South Bay Soup Corporation
(a California corporation)
2372 Maritime Drive
Elk Grove, California 95758
Telephone: (916) 779-8800
www.phohoa.com

Phở Hòa® restaurants offer sit-down table-service casual dining featuring authentic Vietnamese noodle soups and plate dishes made from proprietary recipes with fresh ingredients designed to appeal to health-conscious customers.

The total investment necessary to begin operation of a Phở Hòa® restaurant franchise is $395,115 - $769,327. This includes $43,820 - $53,320 that you must pay to us or our affiliates before the Opening Date, which is the date that your restaurant opens for business to the public.

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 (or such earlier date as required by applicable state law - see State Addenda) 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 the disclosure document in another format, contact Quoc Phan, President, Chief Executive Officer, Chief Financial Officer and Director, South Bay Soup Corporation, 2372 Maritime Drive, Elk Grove, California 95758, Telephone: (916) 779-8800; franchising@phohoa.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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 "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 31, 2026

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or **Exhibit L**.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or **Exhibit K** includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Phở Hòa® restaurant in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Phở Hòa® franchisee?	Item 20 or **Exhibit L** lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this Disclosure Document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The Franchise Agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The Franchise Agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in **Exhibit A**.

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, **Exhibit J**. 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 mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate or litigate with the franchisor in California than in your own state.

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

3. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments and advertising contributions regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

4. **Supplier Control**. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

5. **Turnover Rate**. During the last 3 years, a high percentage of franchised outlets (more than 30%) were terminated, not renewed, re-acquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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.

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ITEM 1.
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

A. Terminology.

To simplify the language in this Disclosure Document, "Company," "we," "us" and "our" refer to South Bay Soup Corporation, a California corporation. "You" means the person who buys the franchise and includes your owners if you are a corporation, limited liability company, partnership or other business entity.

B. The Company, Our Parent, Predecessors and Affiliates.

We are a California corporation organized on September 2, 2005 for the purpose of offering, selling and administering Phở Hòa® franchises. We conduct business under the names Phở Hòa® and Jazen Tea®. Our principal place of business is 2372 Maritime Drive, Elk Grove, California 95758. **Exhibit B** lists state officials that serve as our agents for service of process if we do business in those states.

We are a wholly owned subsidiary of Aureflam Corporation, a California corporation. In this Disclosure Document, we identify Aureflam Corporation as our "**Operating Affiliate**." Our Operating Affiliate's principal place of business is the same as ours.

Before January 1, 2008, our Operating Affiliate sold products or services to our franchisees and to its licensees (see below), but we began selling products or services to our franchisees beginning January 1, 2008. The Operating Affiliate continues to handle this function for its licensees.

We have no predecessors. We do not currently own or operate any Phở Hòa® restaurants nor have we owned or operated Phở Hòa® restaurants in the past. However, our affiliates currently own and operate Phở Hòa® restaurants, as we disclose in this Item 1.

Neither we, nor our Operating Affiliate has offered franchises in any other line of business or engaged in other business activities relevant to the food service industry other than what we describe in this Item 1.

In September 2012, we launched a new concept, Jazen Tea® (initially under a different name, which we changed to Jazen Tea® in 2013). Jazen Tea® Shops offer customers a relaxing environment in which to enjoy a variety of flavorful cold fruit and tea beverages made with the freshest ingredients and our proprietary brewed high quality tealeaves including fruit teas, fruit smoothies, and "bubble" style milk teas served in attractive branded cups. Customers may customize their drinks by adding a variety of jellies, fruit bits, whipped cream, tapioca, and other flavor enhancements. Jazen Tea® Shops also offer various appetizers and snacks. From 2014 to 2024, pursuant to a separate Jazen Tea® Disclosure Document, we offered Stand-Alone Jazen Tea® Shop franchises and co-branding franchises (where a Phở Hòa® Restaurant offers the primary featured Jazen Tea® beverages and showcased Jazen Tea® branding elements in their Phở Hòa® restaurant). As of 2025, we have incorporated Jazen Tea® beverages and Jazen Tea® branding into the Phở Hòa® System (defined below) and the Phở Hòa® franchise offering.

Our Operating Affiliate offered franchises for Phở Hòa® restaurant franchises from 1992 to 2005, when we were organized and assumed that responsibility. In 1984, our founder, Mr. Binh Nguyen, was introduced to the original founders of the Phở Hòa® Restaurant concept, and received permission under an oral agreement with the founders to develop a Phở Hòa® Restaurant in San Jose, California, using the Phở Hòa® trademarks ("**Phở Hòa® Marks**") and business methods. Mr. Nguyen was instrumental in forming our Parent in September 1986 and served as its President from 1992 until his retirement in 2015.

Over the years, our Operating Affiliate and the founders of the Phở Hòa® concept acting through Pho Hoa Vietnamese Restaurant Corp. pursued expansion of the Phở Hòa® chain in various markets within and outside California. Pursuant to an oral agreement between our Operating Affiliate and Pho Hoa Vietnamese Restaurant Corp., our Operating Affiliate was given permission to pursue development opportunities under the Phở Hòa® name outside of Southern California. Using the original San Jose location to test new ideas for the Phở Hòa® restaurant concept, our Operating Affiliate over the years refined and improved the Phở Hòa® concept and pursued expansion through direct ownership and licensing of Phở Hòa® restaurants to third parties in Northern California and other states around the country.

In 1996, our Operating Affiliate and Pho Hoa Vietnamese Restaurant Corp. jointly registered the principal trademark, the word mark Phở Hòa®, on the USPTO Principal Register. By 2002, the principals of Pho Hoa Vietnamese Restaurant Corp. decided to focus exclusively on operating and administering the 11 Phở Hòa® restaurants that they then owned or allowed third parties to own, all but two of which were in Southern California. At the same time, our Operating Affiliate continued its expansion of the Phở Hòa® restaurant concept in California and throughout the United States and internationally by direct ownership of restaurants and also by granting licenses to third parties to operate Phở Hòa® restaurants pursuant to our Operating Affiliate's business methods and under the Phở Hòa® name.

On February 14, 2002, our Operating Affiliate and Pho Hoa Vietnamese Restaurant Corp. entered into a written agreement whereby Pho Hoa Vietnamese Restaurant Corp. assigned all of its rights in the Phở Hòa® trademarks and goodwill to our Operating Affiliate. Under the 2002 agreement, Pho Hoa Vietnamese Restaurant Corp. retained the right to continue using the Phở Hòa® name but only with respect to the operating restaurants that Pho Hoa Vietnamese Restaurant Corp. then owned or allowed third parties to operate for as long as there is no change in ownership or location. In case of an ownership or location change, our Operating Affiliate has a right of first refusal to acquire the particular Phở Hòa® restaurant in issue from Pho Hoa Vietnamese Restaurant Corp. Should our Operating Affiliate not exercise its right of first refusal or should Pho Hoa Vietnamese Restaurant Corp. desire to relocate a restaurant, Pho Hoa Vietnamese Restaurant Corp. must adopt a new trade name for the particular restaurant. Under the 2002 agreement, Pho Hoa Vietnamese Restaurant Corp. has no right to expand under the Phở Hòa® name either through direct ownership or licensing.

As of the issuance date of this Disclosure Document, Pho Hoa Vietnamese Restaurant Corp. owns and operates two Phở Hòa® restaurants in Southern California under the 2002 agreement. We are not affiliated with Pho Hoa Vietnamese Restaurant Corp. or restaurants that it owns or licenses and do not include them in the statistics that we disclose in Item 20 or list them in **Exhibit L** to this Disclosure Document as part of our Phở Hòa® chain.

The 2002 agreement between our Operating Affiliate and Pho Hoa Vietnamese Restaurant Corp. does not limit our Operating Affiliate's right to expand or grant licenses to third parties to operate Phở Hòa® restaurants anywhere in the world.

See **Exhibit L** for the addresses of all operating Phở Hòa® restaurants in the United States (excluding the Phở Hòa® restaurants that Pho Hoa Vietnamese Restaurant Corp. owns or authorizes). Our Operating Affiliate also directly or indirectly owns, operates or licenses to third parties Phở Hòa® restaurants for locations in Canada, South Korea, the Philippines, Indonesia, and Taiwan.

C. The Phở Hòa® Franchise.

Our Operating Affiliate has granted to us a perpetual license to operate, and to grant sublicenses to third parties to operate, Phở Hòa® restaurants under the Phở Hòa® System and Phở Hòa® Marks in the United States, and to administer support programs for our franchisees. The Phở Hòa® Marks include the name Phở Hòa® and the stylized logo featuring the Pho lady design appearing on page 1 of this Disclosure Document, the Jazen Tea® name and marks, and all of the other service marks, trademarks, trade names, logos and commercial symbols that we may periodically adopt and permit you to use. By "**Phở Hòa® System**," we refer collectively to the specialized recipes, operating know-how, trade secrets, business methods and business systems that we require or permit you to use and may modify at any time.

Phở Hòa® restaurants offer sit-down table-service fast casual dining featuring authentic Vietnamese noodle soups and dishes made using proprietary recipes and fresh ingredients designed to appeal to health-conscious customers. We promote the Phở Hòa® brand through direct marketing, local and social media advertising and on our website, www.phohoa.com. Our website provides information about our company, menu, restaurant locations, and franchise opportunities. Our objective is to make the Phở Hòa® brand a leader in the casual dining Asian restaurant market sector.

If you purchase a Phở Hòa® franchise, you will enter into a Franchise Agreement with us in the form of **Exhibit C**, which requires you to operate your Phở Hòa® restaurant in accordance with the business methods and standards that we dictate. We provide you with a copy of our confidential operations, recipe, and catering manuals (which we collectively refer to as the "**Manual**"), which contain detailed information regarding the Phở Hòa® System, as well as standards and specifications for (i) items that are formulated, created or designed by or for us using our specifications or that bear the Phở Hòa® Marks (collectively, "**Proprietary Products**") (as further described in Item 8); and (ii) all other food and beverage products and ingredients, supplies, equipment, and materials that are not specially-formulated just for Phở Hòa® restaurants and that do not bear the Phở Hòa® Marks (collectively, "**Non-Proprietary Products**"). We permit franchisees to offer catering services pursuant to the Catering Program addendum and our standards, specifications, and policies applicable to catering services as set forth in the Manual ("**Catering Standards**").

D. Potential Customers and Competitors. The casual restaurant market segment is, generally speaking, a mature market; we believe the market for restaurants that serve healthy foods and Asian ethnic foods is expanding. Phở Hòa® restaurants operate year-round and serve lunch and dinner. Your competitors not only will include other noodle soup restaurants and chains, but also restaurants selling all types of foods, including non-Asian cuisine and traditional American cuisine, as well as food service businesses generally, including grocery restaurants.

E. Specialized Industry Laws.

You must comply with federal, state and local laws affecting restaurants and other food retailers, including (i) restrictions against smoking in public places or specifically forbidding smoking inside of premises that serve food; (ii) the public posting of notices regarding health hazards (tobacco smoke or other carcinogens); (iii) fire safety and general emergency preparedness laws; (iv) rules regarding the proper use, storage and disposal of waste, insecticides and other hazardous materials; (v) environmental laws that may impact the operation of food retailers (including laws requiring recycling and regulating the use of containers and other materials potentially harmful to the environment); (vi) standards regarding employee health and safety, restaurant sanitation, and the storage, handling, cooking and preparation of food products; (vii) mandatory public disclosure laws; and (viii) laws regulating tip reporting. Some jurisdictions have also adopted or are considering proposals that would regulate indoor air quality at restaurants or food and nutrition labeling laws (including calorie content disclosures) that may apply to Phở Hòa® restaurants. Federal, state and local agencies inspect food retailers and their employees to ensure compliance with these laws and regulations. You should investigate the application of these laws.

In addition to laws that apply to restaurants and food retailers, Phở Hòa® restaurants are also subject to other laws and regulations, including tax regulations, labor laws, business licensing requirements, laws requiring permits for the construction of business premises, the American With Disabilities Act, false advertising and other unfair business practices, and the USA Patriot Act and Executive Order 13224.

ITEM 2.
BUSINESS EXPERIENCE

President, Chief Executive Officer, Chief Financial Officer and Director, Quoc Phan

Dates	Employer	Title/Occupation and Duties
January 2016 - Present	South Bay Soup Corporation, Sacramento, CA and Elk Grove, CA	President, Chief Executive Officer, Chief Financial Officer and Director of South Bay Soup Corporation with overall responsibility for implementing strategic initiatives, franchise sales and development for the Phở Hòa® and Jazen Tea® franchise programs.
September 2012 - December 2015	South Bay Soup Corporation, Sacramento, CA	Vice President of Franchising for the Jazen Tea® franchise program with overall responsibility for implementing strategic initiatives, franchise sales and development.
May 2010 - December 2015	South Bay Soup Corporation, Sacramento, CA	Director of Marketing for the Phở Hòa® franchise network and responsible for marketing activities at all Phở Hòa® Restaurant locations owned and operated by Aureflam Corporation.

Dates	Employer	Title/Occupation and Duties
April 2004 - April 2010	Aureflam Corporation, Sacramento, CA	IT Director. Overall responsibility for implementing point-of-sale and other technology systems for the benefit of Phở Hòa® Restaurants owned and operated by Aureflam Corporation.

Operations Director, Sinich Kem

Dates	Employer	Title/Occupation and Duties
June 2017 - Present	South Bay Soup Corporation, Sacramento, CA and Elk Grove, CA	Operations Director of South Bay Soup Corporation with overall responsibility for implementing strategic operations initiatives at corporate stores, franchise training development for the Phở Hòa® and Jazen Tea® franchise programs.
May 2015 - June 2017	South Bay Soup Corporation, Sacramento, CA	Store Manager for Redmond, Washington Phở Hòa® and Jazen Tea® corporate location. Responsible for implementing daily operational procedures and marketing programs.
January 2012 - May 2015	Beechers Handmade Cheese, Seattle WA	Store Manager – Responsible for store operation, employee training and performance.
March 2006 - January 2012	350 Bakeshop Catering, Seattle WA	Owner – Responsible for operation, marketing, financial and sales.

ITEM 3.
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4.
BANKRUPTCY

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

ITEM 5.
INITIAL FEES

A. Initial Franchise Fee.

The Initial Franchise Fee is $30,000 for the right to operate one Phở Hòa® restaurant. We may require payment by cashier's check or electronic funds transfer.

Existing franchisees who buy a second or subsequent franchise receive a 25% discount off of the then-current Initial Franchise Fee. We must approve your application to buy another franchise and you must meet our then-current qualifications. The award of a franchise does not grant any preferential right to purchase additional franchises and we retain discretion over the award of new franchises to our existing franchisees.

You will pay us an application fee of $500 when you submit the franchise application (**Exhibit D**) to us. We may require payment by cashier's check or electronic fund transfer. The application fee is non-refundable. If we approve your application, we will apply the application

fee to the Initial Franchise Fee and you will pay the balance of the Initial Franchise Fee when you sign the Franchise Agreement.

The Initial Franchise Fee is fully earned by us when paid in full and not refundable except under the conditions that we explain in this Item 5.

We may reduce the Initial Franchise Fee if one of our owners or a management-level employee of our Operating Affiliate buys a franchise for a Phở Hòa® restaurant or for other considerations that in our view warrant a lower Initial Franchise Fee.

B. Other Initial Fees.

Before your Phở Hòa® restaurant opens for business, you will pay us a Security Deposit of $6,000, which we may charge if you fail to pay Royalty Fees or any other payments that you owe to us under the Franchise Agreement or for products or services. Instead of charging the Security Deposit if you breach the Franchise Agreement, we may terminate the Franchise Agreement due to your material breach. By charging the Security Deposit, we do not waive our right to enforce any other remedies that we may have arising from your default. If we debit the Security Deposit, we will notify you in writing of the amount of the debit, and allow you 15 days in which to restore the Security Deposit to the full amount.

We estimate that you will pay us not more than $200 for menus before the Opening Date. After the Opening Date, you will pay for new menus on an ongoing, as needed basis, as we disclose in Item 6.

Before you open, you must purchase at least one Slack subscription for at least one of your Primary Owners. See Item 6 for a description of Slack Subscription Fees. We collect Slack subscription fees and remit them directly to Slack. We estimate that payments that you make to us before the Opening Date will be $120.

Before your Phở Hòa® restaurant opens for business, you will pay us for an initial inventory of Proprietary Products. We are the exclusive supplier of Proprietary Products, which at this time consist of our proprietary broth mix, logo dinner plates and serving bowls, and employee uniforms (currently, polo shirts) with the Phở Hòa® logo. The initial cost of Proprietary Products will vary by franchisee. We estimate that before the Opening Date you will pay us between $7,500 and $15,000 for an opening inventory of Proprietary Products.

If you elect to offer catering services under the Catering Program Addendum attached as **Schedule G** to the Franchise Agreement, you will purchase certain additional inventory, packaging and smallwares from us ("**Catering Package**"). We estimate the Initial Catering Package will cost between $1,500 and $2,000. You must purchase the Catering Package before offering catering services.

C. Conditions for Refund.

You may terminate the Franchise Agreement before requesting site approval from us for a Phở Hòa® restaurant, in which case we will refund $15,000 of the Initial Franchise Fee when you sign our General Release (**Exhibit G**). To qualify for a refund, you must sign our General Release. The balance of the Initial Franchise Fee ($15,000) is nonrefundable.

Once you obtain site approval, the Initial Franchise Fee is not refundable under any circumstance. We do not anticipate that franchisees will pay the $6,000 Security Deposit before they sign the lease and Addendum to Lease. Consequently, once paid, the Security Deposit is not refundable.

Except as noted, other initial fees are not refundable.

ITEM 6.
OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee See Note 1	4% of Gross Sales	By no later than the 10th day of the month based on Gross Sales during the prior month, from and after the opening date of your Phở Hòa® restaurant.	On 14 days' notice, we may require you to pay Royalty Fees more frequently than monthly, change the payment period, or change the method of paying Royalty Fees, including requiring that you pay fees by electronic funds transfer.
Marketing Fee See Note 2	$500 per month	Due on the same date and payable for the same period as the Royalty Fee.	This obligation is in addition to your obligation for local marketing. We may increase the Marketing Fee by up to 10% on January 1 of each year during the term of your Franchise Agreement.
Interest on Late Payments.	1.5% per month per annum not to exceed the maximum legal rate of interest.	Interest accrues immediately after due date if you fail to pay full obligation.	Applies to all amounts payable to us under the Franchise Agreement. Interest is payable on the entire overdue amount beginning with the date payment is due until you pay the arrearage, late charge and interest in full.
Remedial Work to Correct Unhealthy or Unsafe Condition	Service charge equal to 25% of the cost of the remedial or corrective work if we elect to correct any unhealthy or unsafe condition at your Phở Hòa® restaurant. Additionally, you must reimburse us for all of our actual direct costs in performing the work, including for labor, materials, travel, supervision and subcontractors.	Upon receipt of invoice.	We have no obligation to perform remedial work and, among other things, may exercise our right to terminate the Franchise Agreement because of your breach of the obligation to operate in compliance with all laws and in a safe and sanitary manner.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Insurance See Note 3 and additional disclosures in Item 8	Service charge equal to 25% of the annual cost of new insurance, plus the actual annual cost of new required insurance.	Upon receipt of invoice.	The service charge is only payable to us if you fail to carry the insurance we require and if we decide to purchase the required insurance coverage for you. We have no obligation to obtain coverage for you, however, and, among other things, may terminate the Franchise Agreement because of your breach. See Note 3.
Renewal Fee	25% of our then-current Initial Franchise Fee at the time when you renew.	When you give notice of your exercise of the renewal option, at least 6 months, but not more than 9 months, before expiration of the current term.	See conditions of renewal in the Franchise Agreement.
Transfer Fee	25% of our then-current Initial Franchise Fee at the time when you transfer. If the buyer is another existing franchisee, the transfer fee is 15% of our then-current Initial Franchise Fee. For Qualified Transfers, you will pay a transfer fee of $2,500. If the same buyer purchases multiple franchises as part of one transaction, we collect separate fees for each franchise; there is no cap.	When you apply for our consent to a proposed transfer.	See conditions of renewal in the Franchise Agreement. The Franchise Agreement defines what events constitute a “transfer” requiring payment of a transfer fee and what constitutes a “Qualified Transfer.”
Training Fee (for additional training after the Opening Date) See Note 4	Training fee is based on our then-current rate at the start of training, which currently is $1,500 to deliver our current Management Training course (2 weeks, 6 days/week). If you request or we require additional training in your Phở Hòa® restaurant, you must pay a training fee of $200/day or partial day. Additionally, you must reimburse us for our trainer’s reasonable travel expenses to your Phở Hòa® restaurant.	Before training begins.	We impose a training fee only with respect to training that we provide to you at your request after your Phở Hòa restaurant opens and training we require you to complete to correct operating deficiencies. We disclose our then-current training fees in the Manual or by separate written bulletin. You must pay all expenses that you or your employees incur during any training program that we provide (including travel expenses and salary).
Testing Fee	Based on our actual cost, but not to exceed $250 per request.	When you request approval to buy from an alternative supplier or to purchase Non-Proprietary Products not approved by us for use or sale in your Phở Hòa® restaurant.	See Item 8. This fee is payable if we inspect a new product, service, or proposed supplier that you wish to use not then authorized by us.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Indemnification and Defense	All costs including attorneys' fees; amount will vary under the circumstances.	As we incur expenses and present them to you.	You must reimburse us for losses which we suffer resulting from the operation of your business. We may retain our own legal counsel. You must reimburse us for our legal and other professional expenses related to the claim. We may charge the Security Deposit to recover a portion of the expenses that you must cover as part of your duty to indemnify us.
Cost and Attorneys' Fees	Will vary under the circumstances.	Upon settlement or conclusion of claim or action that either one of us may bring against the other.	Awarded to prevailing party.
Replacement Manual	$250 per volume, plus shipping expenses.	Within 10 days of invoice.	If you lose any volume of the Manual that we provide to you and the loss is the result of your breach of the Franchise Agreement, or you are otherwise in default under the Franchise Agreement, we may terminate your franchise.
Proprietary Products	At our current rates which we publish periodically by bulletin or in the Manual	Typically, 30-day terms. However, we may require payment in full upon delivery.	See Items 1, 5 and 8 for identification of Proprietary Products
Audit	Cost of audit (including our reasonable accounting, legal fees and travel expenses), plus full amount of any underpayment and interest and late charges on any underpayment.	30 days after we complete audit results.	Our costs are only if our audit shows an understatement of Gross Sales for any period of 2% or more. If an audit reveals an underpayment of any amount, you must pay us the full amount due together with interest and late charges.
Menus	Cost of printing and shipping at our current rates which we publish periodically by bulletin or in the Manual	Upon receipt of invoice	We must print all menus and you will buy them from us, but you will set prices for all menu items.
Taxes See Note 5	Amount will vary under the circumstances.	Within 10 days of invoice.	
Gift Card Program Administrative Fee	6% of the face value of the gift cards that you purchase from us	We collect the Administrative Fee at the time of purchase when you buy gift cards from us.	See additional disclosures in Item 8.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Loyalty Card Administrative Fee	$160/month	Due on the same date and payable for the same period as the Royalty Fee.	We may increase this fee by up to 10% on January 1 of each year during the term of your Franchise Agreement. See additional disclosures in Item 8.
Slack subscription fees	You must pay us Slack's current monthly subscription fees, which, as of the issuance date of this Disclosure Document, are $8/user/month ($96/year/user). You must purchase a separate subscription for each member of your senior management.	30 days after invoice	We hold a master contract with Slack and pass through to our franchisees the monthly subscription fees that Slack charges us. Slack may increase its fees, in which case we will pass this increase on to you without markup. We will invoice you for these fees each month.
Music subscription fees	You must pay a monthly music subscription fee, which as of the issuance date is $30 per month.	30 days after invoice	We pass through to our franchisees the monthly subscription fees that our music vendor (currently Pandora) charges us. Pandora may increase its fees, in which case we will pass this increase on to you without markup. We will invoice you for these fees each month.
Non-Compliance Fees See Note 6	$100-$500/day	By no later than the 10th day of the month (same time as Royalty Fees) based on any citation notices identifying specific performance defaults during the prior month	We may increase the Non-Compliance Fees by up to 10% on January 1 of each year during the term of your Franchise Agreement. By imposing Non-Compliance Fees, we do not waive our right to terminate the Franchise Agreement based on your default.

The Following Notes Accompany the Item 6 Disclosures

To Whom Payments Are Made: All payments in Item 6 are made to us. Item 6 does not include fees that we disclose in Item 5 or payments that you make to us or our affiliates for Proprietary Products.

Refundability: All payments that we describe in Item 6 are non-refundable.

Uniformity: At this time, we impose fees uniformly. However, we retain discretion to reduce fees in individual cases in our discretion.

NOTE 1. Gross Sales; Reporting Period.

Gross Sales. "**Gross Sales**" means the aggregate of all revenue and income from operating your Phở Hòa® restaurant, including the actual proceeds received from all sales of food, beverages or other goods, merchandise or services, whether payment is in cash, by credit card, gift cards, or other generally accepted form of payment. Gross Sales also include all proceeds from any business interruption insurance, revenue from the sale of menu items to employees, and the value of products and services bought by customers by redeeming authorized gift or loyalty cards.

Excluded from Gross Sales are: (i) sales taxes and other taxes separately stated that you collect from customers and pay to taxing authorities; (ii) refunds and credits made in good faith to arms' length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customer; (iv) proceeds from the sale of gift cards; (v) proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; (vi) employee tips; and (vii) the value of menu items that you furnish to employees at no cost to the employee.

If you fail to report Gross Sales to us on time for any accounting period, we may, without waiving our right to terminate the Franchise Agreement, charge you for 120% of your last payment of Royalty Fees and Marketing Fees. Your payment is non-refundable even if you subsequently report your Gross Sales for the accounting period and demonstrate to us that the amount that we charged exceeds the applicable percentage fee based on your actual Gross Sales for the accounting period.

We may change the accounting period for paying and reporting all fees to us on no less than 14 days written notice. For example, instead of paying us Royalty Fees and Marketing Fees on a monthly basis, we may require weekly payments.

NOTE 2. Marketing Fees and Local Advertising Expenditures.

You must pay us a Marketing Fee of $500 per month, without offset, credit or deduction of any nature. Marketing Fees are due and payable for the same accounting period as Royalty Fees and paid in the same manner as Royalty Fees. We may increase the Marketing Fee by up to 10% on January 1 of each year during the term of your Franchise Agreement.

Additionally, you must spend a minimum of $2,000 on grand opening advertising and marketing. We count towards this minimum all expenditures that you make for advertising and marketing before your Phở Hòa® restaurant opens for business through 30 days after the opening day, including your actual costs for any free giveaways that you offer customers during the opening period, but excluding your normal operating expenses including general and administrative expenses and food costs. We may ask you to substantiate your grand opening advertising expenditures. All payments for grand opening advertising and marketing are to miscellaneous third parties, not to us.

Additionally, you must spend a minimum of $250/month on local advertising, beginning with the first full calendar month after your Phở Hòa® restaurant opens for business. This is in addition to expenditures for grand opening advertising even though the time periods may overlap in some cases depending on the day in the prior month that your Phở Hòa® restaurant opens for business. We may increase the minimum $250 obligation by up to $25/month effective on January 1 of each year during the initial term.

NOTE 3. Insurance Policies. We identify the types and minimum insurance coverage that you must carry and require you to name us as an additional insured on all mandatory insurance. See Item 8.

NOTE 4. Training Fees. We schedule the Management Training portion of our initial training program at a mutually convenient time after you sign the lease for your Phở Hòa® restaurant.

If you want to send later-hires to our Management Training class after your Phở Hòa® restaurant opens, we charge a training fee at our then-current rates that we specify in the Manual. Presently, the training fee for the 2-week Management Training is $1,500 per person. If you request additional training in your Phở Hòa® restaurant after your Phở Hòa® restaurant opens, we charge a per diem fee based on our current rates. Presently, the per-diem fee is $200/day for a full or partial day. We intend to conduct the 2-week Management Training class at a Phở Hòa® restaurant in San Jose, California, but may change the location without prior notice to another location in Northern California in the Sacramento, California area near our headquarters, or we may agree to hold the training at your Phở Hòa® restaurant. If training is at your Phở Hòa® restaurant, you must reimburse us for our trainer's travel expenses (including air and ground transportation, lodging, meals and other personal expenses). Regardless of the training location, you must pay all costs for yourself and your employees to attend training, including transportation, lodging, meals, salary, and other personal charges.

NOTE 5. Taxes.

You must pay us the amount of any state or local sales, use, gross receipts, or similar tax that the state or local government authority imposes on us based on the fees that you pay to us under the Franchise Agreement, without offset or deduction of any kind. Your obligation to reimburse us for taxes does not extend to income-type taxes which a state or local government imposes on our income.

NOTE 6. Non-Compliance Fees.

NON-COMPLIANCE FEES	
Performance Standard	**Non-Compliance Fee**
Offering or selling unauthorized menu items, merchandise, products or services	$500/day per unauthorized menu item, merchandise, product or service that you offer or sell that has not been approved by us in writing
Use or display of unauthorized decorations or fixtures	$100/day per article for each day that you use or display individual unauthorized décor articles or fixtures
Use of unauthorized kitchen equipment or POS computer system	$100/day per equipment piece for each day that you use unauthorized equipment or POS computer system
Failure to submit any operating or financial report or financial statement on or before the date due	$100/day per report for each day that the report is past due

We may increase the Non-Compliance Fees identified in the chart by an amount not to exceed 10% on January 1 of each year during the term of your Franchise Agreement.

By issuing a citation notice**,** you agree that we may deduct from your Gross Revenue the particular Non-Compliance Fee corresponding to the Performance Standard default that we describe in the Citation Notice. Up to either (i) six (6) citation notices from us during any 12 month period whether they relate to the same or different Performance Standards; or (ii) two (2)

citation notices at any time based on your failure to report a workplace injury by the applicable Citation Due Date, we will not issue a notice of default or pursue termination of the Franchise Agreement based on the same Performance Standard default described in the citation notice.

ITEM 7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT (See Note 1)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	$30,000	Cash	You pay an application processing fee of $500 with your application (**Exhibit D**) which we credit to the Initial Franchise Fee. You pay the balance when you sign the Franchise Agreement.	Us
Personal Expenses during our Initial Training Program (see Note 1)	$3,000 - $9,650	Cash or as arranged	As incurred	Miscellaneous third parties
Real Estate Costs Payable Before Opening (see Note 2)	$28,750 - $113,850	Cash or as arranged	Upon signing the lease; then, typically, monthly as arranged.	Landlord
Real Estate Costs Payable After Opening During the Initial Phase (see Note 2)	$17,250 - $37,950	Cash or as arranged	Upon signing the lease; then, typically, monthly as arranged.	Landlord
Leasehold Improvements (see Note 3)	$115,000 - $255,000	Cash or as arranged	Progress payments or as otherwise arranged.	Landlord, contractor, suppliers
Restaurant Equipment, Furniture and Signs (see Note 4)	$109,000 - $171,000	Cash or as arranged	Upon purchase or as otherwise arranged.	Equipment suppliers, vendors and other approved third parties
Point-of Sale (“POS”), Digital Menus, IT Services, and Other Software, Computer Hardware and Business Equipment (see Note 5)	$12,615 - $22,877	Cash or as arranged	Before opening, upon purchase or as otherwise arranged.	Third party suppliers

TYPE OF EXPENDITURE	AMOUNT (See Note 1)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Opening Inventory (see Note 6)	$15,000 - $20,000	Cash or as arranged	You buy an initial opening supply of our proprietary broth mix from us before your Phở Hòa® restaurant opens. You buy other Non-Proprietary Products that you need by way of your opening inventory before opening.	Us and third party suppliers and vendors
Tableware, Smallware, Supplies, and Uniforms (see Note 7)	$8,500 - $14,000	Cash or as arranged	We will buy for you an initial supply of logo serving bowls and dishes from us before your Phở Hòa® restaurant opens. We will buy for you other smallwares and supplies, and provide an allowance to purchase uniforms for opening employees that you need before opening.	Us and approved third party suppliers and vendors
Professional Fees (see Note 8)	$15,000 - $35,000	Cash or as arranged	Upon billing or as otherwise arranged.	Third parties, such as architect, accountant, lease negotiation and attorney
Other Security Deposits and Pre-Paid Expenses (Security Deposit payable under the lease is included in Real Estate Costs Before Opening) (see Note 9)	$9,000 - $11,000	Cash or as arranged	You pay us a $6,000 Security Deposit when you sign the lease. Typically, you pay utility deposits to begin utility services and pay business license fees upon issuance of the license. In some cases, you may have to pre-pay other expenses to obtain goods or services to open your business.	Us, third party vendors and suppliers; government agencies; utility companies, etc.
Grand Opening Advertising (see Note 10)	$2,000	Cash or as arranged	As arranged.	Miscellaneous third parties
Catering Package and Supplemental Packaging (optional)	$0 - $2,000	Cash or as arranged	As arranged.	Us and third party suppliers
Additional Funds (for first 3 months of operations) (see Note 11)	$30,000 - $45,000	Cash or as arranged	Unless you qualify for the one-year waiver described above, you will begin paying Royalty Fees to us in the first full calendar month after your Phở Hòa® restaurant opens. The timing of other expenses varies depending on the nature of the expense.	Us and miscellaneous third parties
Total	**$395,115 - $769,327**			

The Following Notes Accompany the Item 7 Disclosures

Item 7 explains the estimated initial investment to open and operate a Phở Hòa® restaurant during the initial period from the date that you sign the Franchise Agreement through the end of the first 3 months from the opening date. The following notes explain each expense category and the variables that influence the low and high initial investment estimates, and are an integral part of Item 7.

See Item 5 regarding the conditions for refunding the Initial Franchise Fee. Other initial fees that you pay to us before opening are not refundable. Certain deposits that you pay, including the lease deposit for the premises lease or under an equipment lease, may be refundable at the end of the lease under the conditions set forth in the third party lease. Otherwise, none of the initial investment payments are refundable unless you negotiate for refund terms with a third party supplier. We make no representation regarding your ability to obtain refund terms with third parties with which you deal in establishing your franchise business. We do not offer direct or indirect financing, nor do we guarantee your obligations with third parties.

NOTE 1. Expenses During Basic Training. Your expenses for travel, room, board and other miscellaneous expenses will depend on the number of staff members who attend the 2-week Management Training course, the distance from your location to the training (currently in San Jose, CA), and your choice of accommodations. This estimate assumes that one employee attends with you and includes an allowance for salary to your employee, but does not allow for any draw to you. If we agree to hold the training at your Phở Hòa® restaurant, you will have lower travel costs for your staff, but will pay our trainer's travel expenses to your location.

NOTE 2. Real Estate Costs: Our chart assumes that you locate your Phở Hòa® restaurant in a neighborhood in-line shopping center and that you lease, rather than own or purchase, the real estate. This category covers rent and related real estate costs for the first 3 months of operations. Although Phở Hòa® restaurants operating today vary in size, we base the initial investment estimates on a prototypical 2,300 sq. ft. space.

Our estimates assume rent ranging from a low of $2.50/sq. ft. to a high of $5.50/sq. ft. The rent estimates include an allowance for common area maintenance charges that you may have to pay under your lease if you locate your Phở Hòa® restaurant in an in-line or other type of shopping center with multiple tenants. Not shown as part of rent are utility costs during the initial period, which we include under the utility deposits category.

The wide low/high range for real estate expenses depends on a number of factors including (i) the actual size, preexisting physical condition and prior use of the approved site; (ii) prevailing rents at the time you lease your space; (iii) overall market and economic conditions; and (iv) your own credit rating. In approving a site for a Phở Hòa® restaurant, we consider a variety of economic, demographic and geographic factors. As rental rates vary considerably by geographic market, local economic conditions, size and type of space, you should base your own initial investment estimates on the prevailing real estate costs in the market in which you are considering locating your Phở Hòa® restaurant.

Lease Security Deposit: In the category of rent payable before the opening date, the estimates assume that you pay a lease security deposit equal to one month's rent.

Rent: In our experience, landlords sometimes provide a period of free rent (in addition to a tenant improvement allowance) to cover the build-out and leasehold improvement period before opening. The low estimate assumes that the landlord allows two months free rent, and that four months' rent is paid during the six-month pre-opening period at the low range of $2.50/sq. ft. The high estimate assumes that the landlord allows no free rent, and therefore includes eight months of rent at the high range of $5.50/sq. ft.

The category of rent payable after the opening date and during the initial phase of the business covers 3 months of rent payable at the low and high range of, respectively $2.50/sq. ft. and $5.50/sq. ft.

NOTE 3. Leasehold Improvements. Leasehold improvements include costs to conform the approved location to our comprehensive specifications for lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall coverings, ceiling treatments, exhaust/ventilation systems, restaurant dining, cooking and storage areas, general trade dress components and other improvements to prepare the restaurant facility for opening. Actual costs will depend on the size, pre-existing condition, location and prior use of the approved site, applicable local building codes, health codes, prevailing economic conditions and the need to use union labor which is generally more expensive than non-union labor. These estimates assume no structural or exterior renovations. Actual costs may be lower if the landlord contributes any tenant improvement allowance.

NOTE 4. Restaurant Equipment, Furniture and Signs. This category covers the cost of the following items: deli refrigeration, convection oven, stock pot burner, meat slicers, fryers, dishwasher, pasta cooker, food processor, hood, exterior and interior signs, menu boards, reach-in freezer, walk-in refrigerator, fire extinguisher, and initial furniture consisting of dining tables and chairs. The low estimate assumes that you are able to buy certain equipment items pre-owned in good working order. Our chart assumes that you purchase, rather than lease, all equipment. However, your initial expenses may be lower if you lease or finance equipment.

NOTE 5. Point-of-Sale ("POS"), Digital Menus, IT Services, and Other Software, Computer Hardware and Business Equipment, and Other Computer Systems. Item 11 describes the requirements for the POS and accounting software that you must use in operating your Phở Hòa® restaurant. This expense category includes the following expenses during the initial period of your business includes (i) payments to Toast POS for POS hardware and subscription fees for the first year; (ii) costs for a business computer with high-speed internet, a high-speed computer printer, telephone equipment, and basic office supplies; (iii) fees for high-speed Internet and phone service during the initial period; (iv) a commercial display for digital menus and advertising; (v) network switches, gateway, and access point; and (vii) monthly subscriptions for data management, software, handhelds, and API services. The high estimate also includes a security system (including cameras and a network video recorder) and integrated phone service (both optional).

NOTE 6. Opening Inventory. Opening inventory estimates include a supply of certain Proprietary Products and Non-Proprietary Products to begin operations. An estimate for other Proprietary Products and Non-Proprietary Products is included in the Tableware, Smallware, Supplies, and Uniforms category. We include in Additional Funds expenses to replenish inventory of Proprietary Products and Non-Proprietary Products during the initial period. The cost of Proprietary Products included in this estimate is included in the opening inventory figures disclosed in Item 5. Both the low and high estimates include the $200 payable to us for an initial supply of menus (see Item 5).

NOTE 7. Tableware, Smallware, Supplies, and Uniforms. This category includes an initial quantity of logo bowls, beverage cups, straws, bags, containers, seals, and uniforms, as well as utensils and cleaning supplies. An estimate for other Proprietary Products and Non-Proprietary Products is included in the opening inventory category. The cost of Proprietary Products included in this estimate is included in the opening inventory figures disclosed in Item 5.

NOTE 8. Professional Fees. Professional fees include fees that you may require during the initial phase for architectural and design planning services, legal and accounting. It assumes that you do not seek professional help with site evaluation and do not pay any real estate broker fees or for construction administration.

NOTE 9. Other Security Deposits and Pre-Paid Expenses. Some equipment suppliers and utility companies may require you to pay a security deposit. This category excludes the security deposit that you pay to the landlord under the real property lease, which we include as part of real estate costs, but includes utility deposits, business license fees and any pre-paid expenses that some suppliers may require. In addition, this category includes the $6,000 Security Deposit that you pay to us.

NOTE 10. Grand Opening Advertising. You must spend at least $2,000 on grand opening advertising and promotion through 30 days after opening your Phở Hòa® restaurant for business, but may choose to spend more. We include an allowance for your local advertising expenditures during the initial period under Additional Funds.

NOTE 11. Additional Funds – Initial Period (3 months).

We estimate that you will need working capital of $30,000 to $45,000 to cover miscellaneous expenses during the first 3 months, including salaries to employees and Slack and Pandora subscription fees that you pay to us (as we disclose in Item 6). We cover real estate costs during the first 3 months in a separate line item. Your working capital needs will depend on a variety of factors, including the number of employees you hire and the salary and benefits you pay; local economic conditions, including rent and the cost of supplies; the extent of your involvement in organizational-level or restaurant-level operations; your skill, experience, business acumen, operational ability and credit rating; local competition; and the sales levels of your restaurant during the initial 3 month period. The "Additional Funds" category is not the only source of cash, but is in addition to cash flow from operations. We encourage you to visit operating Phở Hòa® restaurants to evaluate this on your own.

The Additional Funds category also includes:

- An allowance of $750 for local advertising expenses for 3 months, which is in addition to grand opening advertising (which is covered in a separate line item). While we do not require you to begin spending a minimum of $250/month on local advertising until the first full calendar month after your Phở Hòa® restaurant opens, for purposes of the initial investment chart, we estimate your outlay for local advertising during the initial phase at 3 X $250/month.

- Estimated premiums for insurance meeting the minimum requirements of the Franchise Agreement for the initial period.

The Additional Funds category does not include (1) any draw or salary to you or other owners of the franchise; (2) any allowance for payments made to a bank or financing company on any

loan that you may obtain to finance the cost of buying and opening the franchise business; or (3) any allowance for payments to us for Royalty Fees and Marketing Fees, which are based on your Gross Sales.

All figures in Item 7 are estimates only. We rely on the experience of our Operating Affiliate and its existing licensees in developing and operating Phở Hòa® restaurants, as well as the general management and business backgrounds of our management, to compile these estimates. You should review these figures and notes carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8.
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

A. General Comments.

In operating a Phở Hòa® restaurant, you must follow our recipes and comprehensive specifications for food handling, preparation, presentation and storage; equipment, supplies, tableware and smallware; retail operating procedures; signs; interior and exterior appearance and design; insurance; the point-of-sale (POS) computer system and other software applications that you must use that we describe in Item 11; and real estate.

The Manual identifies and explains these specifications. We may revise the specifications, in our discretion, as frequently as we believe is necessary through written supplements to the Manual. We will notify you of all changes in writing, and you must conform to all changes within the time that we allow.

We estimate that the proportion of your required purchases and leases to all purchases and leases by you of products and services in establishing and operating your Phở Hòa® restaurant is approximately 90% to 100% of all expenses.

B. Phở Hòa® Proprietary Products.

You must use our proprietary broth mix and sauces and follow our proprietary recipes to prepare the specific noodle soups and Vietnamese dishes that comprise the Phở Hòa® restaurant menu. You must serve all menu selections in serving bowls and on dinner plates bearing the Phở Hòa® logo, and all of your employees must wear uniforms we specify, currently polyester shirts bearing the Phở Hòa® logo. We currently include the following in "Proprietary Products": (i) dinner plates and serving bowls bearing the Phở Hòa® logo, (ii) Phở Hòa® logo polo shirts that we require your employees to wear while at work, (iii) our proprietary broth mix and sauces for preparing noodle soups and other Vietnamese dishes; and (iv) core catering packaging products. In the future, we may add, modify, or remove items from the list of Proprietary Products and may include other specially-formulated or branded products, including pre-packaged ingredients and other types of logo merchandise. When we designate an item as a Proprietary Product, you will only be able to buy the item from us or the supplier that we designate. At this time, we are the only supplier of Proprietary Products. Our Operating Affiliate is not currently a designated or recommended supplier of any items to our franchisees.

You must order your digital menus from our approved supplier(s) and all other menus from us, although you may set your own prices. We will create the menu for you, after discussing with you the cost of the menu items. We will then print the menus for you, ship the

menus to you, and send you an invoice for the cost of shipping and printing according to our current rates, which we publish periodically by bulletin or in the Manual.

We estimate that your aggregate payments to us for (i) an opening inventory of our proprietary broth mix and sauces (ii) an initial supply of logo serving bowls and plates, and (iii) enough logo uniforms for your opening employees will represent approximately 2.5% of your total initial investment to establish a Phở Hòa® restaurant, and 4% of a restaurant's monthly operating expense. We will derive revenue on account of your payment to us for Proprietary Products.

Based on our audited financial statements for our most recent fiscal year ending December 31, 2025, we received total revenue of $1,203,849.31from Phở Hòa® and co-branded Phở Hòa®/Jazen Tea® franchisees combined, of which $554,342 (48%) represents purchases of Proprietary Products by Phở Hòa® Restaurants and co-branded Phở Hòa® Restaurants (no Stand-Alone Jazen Tea® Shops operated during our most recent fiscal year).

Fiscal Year Ending 12/31/2025		
	Phở Hòa®	**Co-Branded Phở Hòa®/Jazen Tea®**
Total Proprietary Products	$471,907.72	$188,722.22
Total Revenue	$985,127.09	$218,722.22
% Proprietary Products to Gross Revenue (by franchise brand)	48%	86%
% Proprietary Products to total Gross Revenue combined for both Phở Hòa® and co-branded Phở Hòa® Restaurants ($1,203,849.31)	39%	16%

C. Purchasing Arrangements.

At this time, the only purchasing arrangements that we have are for Proprietary Products, for which we are the sole supplier. You will order all Proprietary Products from us as you deplete your supply on the terms of our standard invoice.

There are no purchasing or distribution cooperatives in place. In the future, we may negotiate special purchasing arrangements with suppliers of approved products and services. These arrangements may include price discounts based upon the collective volume of purchases by all Phở Hòa® restaurants in the United States (including those our Operating Affiliate or its licensees own and operate). We make no representation about our ability to secure certain prices, payment or credit terms, or delivery conditions.

D. Suppliers of Non-Proprietary Products.

At this time, except for Proprietary Products as we define that term in this Disclosure Document, all of the food products, ingredients, condiments, packaging, technology, equipment, supplies and materials that you need to operate your Phở Hòa® restaurant are Non-Proprietary Products. With our approval, you may purchase Non-Proprietary Products from any supplier of your own choosing capable of selling items that meet our specifications and quality standards and who are duly licensed in your jurisdiction to sell food items. We may also recommend suppliers of Non-Proprietary Products. We evaluate suppliers according to their ability to meet

our product specifications; pricing and payment terms; the quality of their storage facility and other criteria bearing on their attention to food safety; their overall business reputation; their ability to fill complete orders by delivery deadlines; and their financial condition. Any updates to our supplier criteria will be provided in the Manual or otherwise in writing.

To propose a supplier of Non-Proprietary Products that is not currently recommended by us or to apply for approval to use or sell particular Non-Proprietary Products that we do not currently specify, you must submit a written request to us identifying the proposed supplier or item together with samples of the item for examination and/or testing so that Company may evaluate if the supplier or item meet our current specifications and quality standards. Before we will consider your request to buy an alternative product, we may impose a testing fee not to exceed $250 per alternative product. We will notify you in writing within 30 days after all requested information is received, and any required testing fee is paid, and inspection is made, if we approve the proposed supplier or item and our failure to timely respond shall signify our disapproval of your request. We may revoke our approval of a supplier or item if we determine that doing so is in the best interests of our company or the Phở Hòa® System. Revocation shall be effective immediately upon written notice or by the date specified in our written notice, but, absent an imminent health or safety issue we will allow you a reasonable time to deplete your existing inventory, not to exceed 60 days. Following receipt of our written revocation notice, you may not place any new orders for the particular Non-Proprietary Product or with the supplier that is the subject of the revocation notice.

We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) because you purchase Non-Proprietary Products from a supplier whom we may recommend. We may, however, terminate your franchise if you purchase or use Non-Proprietary Products not meeting our specifications as set forth in the Manual. During our most recent fiscal year ending December 31, 2025, we received no revenue from third party suppliers on account of their transactions with our franchisees for Non-Proprietary Products or services.

E. Mandatory Addendum to Lease.

You must sign, and have the landlord of the franchise premises sign, our Addendum to Lease (**Exhibit F**). The Addendum is a contract between you and the landlord of the premises that gives us the option to assume your lease if the Franchise Agreement expires or terminates for any reason.

F. Insurance.

You must carry insurance covering the risks and meeting the minimum coverage conditions that we prescribe in the Manual protecting you and naming us as an additional insured. We make no representation that the coverage will be sufficient to cover all potential risks and hazards of operation. You need to evaluate if your business will require greater coverage or other types of insurance. Our minimum, mandatory insurance requirements for each Phở Hòa® restaurant are:

1. Comprehensive general liability insurance with minimum coverage of $2,000,000 combined single limit (including broad form contractual liability), or the higher amount required by the premises lease, insuring you, us and any of our affiliates that we designate against claims for personal injury or property damage from your business operations, including products liability.

2. Workers' compensation and employer's liability insurance, together with any other insurance required by law or $500,000 per accident, $500,000 per disease, and $500,000 policy limit, whichever is higher;

3. General casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance for the full replacement value of your premises and its contents, and for any vehicle that you use in your business with the following minimum limits:

REQUIRED COVERAGE	MINIMUM LIMITS OF COVERAGE
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$1,000,000
Personal and Advertising Injury	$1,000,000
Each Occurrence	$1,000,000
Fire Damage (any one fire)	$250,000
Medical Expense (any one person)	$5,000

4. Additional insurance if required by the franchise restaurant lease.

5. Any person whom you hire as a general contractor or to perform comparable services at the your Phở Hòa® restaurant must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of $1,000,000 plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.

We may periodically modify all minimum amounts to reflect inflation, general industry standards or our future experience with claims. If you do not maintain the insurance coverage we require, we may obtain the above insurance coverage for you. For additional conditions applicable to mandatory insurance, see the Franchise Agreement (**Exhibit C**).

G. POS, Computer and Network Systems.

In operating your Phở Hòa® restaurant, you must use the point of sale (POS) hardware and software system that we designate and a minimum number of terminals to ensure prompt customer service. The POS system that we designate is a cloud-based system that requires high-speed internet connectivity. You must also install a designated firewall/router and network switch. You must purchase the hardware and related software services to administer the network system from our designated supplier. If you elect to purchase security camera and phone services, you must purchase these items from our designated providers. You are required to purchase a commercial display, an enterprise data management subscription, a handheld monthly software subscription, and an API subscription. All hardware and software specifications for the POS, computer and network systems are in the Manual.

You must also purchase a monthly subscription to Slack communications software, to access an instant messaging channel limited to Phở Hòa® authorized users, which we use for

internal communications as an alternative to email. See additional disclosures about Slack in Items 6 and 11.

H. Gift Cards and Loyalty Cards.

You must participate in our gift card program and purchase gift cards from us or a designated third party vendor. At this time, we are the exclusive source of gift cards, which are redeemable at any Phở Hòa® Restaurant in the United States. You must honor gift cards if a customer presents a gift card for redemption at your Phở Hòa® restaurant.

You must also participate in any separate loyalty card program that we require as part of a network-wide requirement for Phở Hòa® Restaurants in the United States. The loyalty card rewards repeat customers with incentives and allows us to gather marketing data about repeat customers. We use a third party to administer this program for us.

Item 6 describes the Gift Card Administrative Fees that we impose on gift card transactions with franchisees (where you purchase gift cards from us). If instead of handling gift card transactions ourselves, we designate a third party vendor, we may derive revenue on account of your purchases of dual-brand gift cards from the designated third party vendor. Item 6 also discloses the Loyalty Card Administrative Fee that we impose to cover the expenses that we pay to a third party to administer the loyalty card program for us.

You may not issue, redeem or otherwise authorize any other type of loyalty or gift card, except those that we approve of in advance.

I. Catering and Delivery

You may offer catering services only under a Catering Addendum to the Franchise Agreement, and subject to our Catering Standards, which currently require that you purchase certain supplies and smallwares from us. You may offer delivery services only through designated third-party delivery providers.

J. Additional Disclosure re: Suppliers.

At this time, no officer of the Company owns an interest in any required, recommended or approved supplier other than owning an interest in our company. It is possible that an officer of the Company owns a nominal interest which they may own in a supplier that is a public company.

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.

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
Site selection and acquisition/lease	Paragraph III.A. and III.C. and III.E.	Items 5, 6, 7, 11

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
Pre-opening purchases/leases	Paragraph XIII.B. and XIII.C.	Items 7, 8
Site development and other pre-opening requirements	Paragraph V.A. and V.B. and V.C.	Items 6, 7, 11
Initial and ongoing training	Paragraph VI And XIV.C.	Items 6, 11
Opening	Paragraph V.C. and X.A.	Item 11
Fees	Paragraph XI.	Items 5, 6
Compliance with standards and policies/Operating Manual	Paragraph II.D. and VIII. and XIII.	Items 8, 11, 14, 16
Trademarks and proprietary information	Paragraph VII And IX.	Items 13, 14
Restrictions on products/services offered	Paragraph XIII.B. and XIII.C. and XIII.D. and XIII.E.	Items 8, 16
Warranty and customer service requirements	Not applicable.	Not applicable.
Territorial development and sales quotas	Not applicable.	Not applicable.
Ongoing product/service purchases	Paragraph XIII.B. and XIII.C. and XIII.D. and XIII.E.	Items 8, 11
Maintenance, appearance and remodeling requirements	Paragraph XIII.G.	Items 6, 8
Insurance	Paragraph XV.	Items 6, 7, 8
Advertising	Paragraph X and III.I.	Items 6, 11
Indemnification	Paragraph XX.B.	Item 6
Owner's participation/management/staffing	Paragraph VI.B. and XIII.L.	Item 15
Records and reports	Paragraph XII and XIII.F. and XIII.J.	Items 8, 11
Inspections and audits	Paragraph XII.D. and XIV.B.	Items 6, 11, 13
Transfer	Paragraph XIX and VI.B.	Items 6, 17
Renewal	Paragraph IV.B. and IV.C. and IV.D. and IV.E.	Item 17
Post-termination obligations	Paragraph XVI And XVIII.	Item 17
Non-competition covenants	Paragraph XVI.	Item 17
Dispute resolution	Paragraph XXII.	Item 17

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
Other (describe)	Not applicable	Not applicable

ITEM 10.
FINANCING

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

If you obtain financing from a third party lender that is guaranteed by the Small Business Administration, you must execute the Amendment to Franchise Agreement that is attached to the Franchise Agreement as **Schedule H**.

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

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

A. Pre-Opening Assistance

Before you open your Phở Hòa® restaurant, we will provide you with the following assistance:

1. We will provide you with a "hard copy" of, or electronic access to, our confidential multi-volume Manual, which contains mandatory and suggested specifications, standards and operating procedures, including our proprietary recipes. (Franchise Agreement, Paragraph VIII and IX) We may modify the Manual and will supply you with written supplements to reflect all such changes. We attach as **Exhibit M** a copy of the Table of Contents of our current Manual. At this time, the Manual consists of a total of approximately 460 pages over multiple volumes covering operations, recipes and catering standards. **Exhibit M** indicates, for each volume, the total number of pages devoted to each subject as of the date of this Disclosure Document.

2. We will provide you with specifications for the design, appearance, equipment and leasehold improvements of a typical Phở Hòa® restaurant (except in connection with the resale and assignment of an operating Phở Hòa® restaurant from a franchisee-seller to a prospective franchisee) and a sample layout for kitchen equipment. This information will include our standard décor, interior layout plans and equipment list to help you evaluate potential sites for your Phở Hòa® restaurant. (Franchise Agreement, Paragraph V.A.1.) You must conform the information that we supply to you to the specific dimensions of the site that we approve for your Phở Hòa® restaurant at your sole expense, retain architectural, design and contracting services and supervise your own Phở Hòa® restaurant's build-out. (Franchise Agreement, Paragraph V.A.2.)

3. We will provide you with our written site selection criteria that considers important demographic and physical characteristics for a Phở Hòa® restaurant, including population size, ethnicity and income level; neighboring and adjacent retail tenants; restaurant size, layout, existing condition and adaptability for restaurant use; road visibility, traffic patterns,

parking and access issues; and proximity of competitors serving the same market area. (Franchise Agreement, Paragraph V.A.1.)

4. After we receive your written site proposal, we may visit the area at our expense if we feel it is necessary to inspect the physical or demographic conditions of your proposed site or neighboring area to evaluate your proposal. (Franchise Agreement, Paragraph III.A.2.c.)

5. After you sign the lease for the approved site, we schedule you for initial training, which we refer to as our "**Basic Training**" program and describe elsewhere in this Item 11. Your primary owner and one of your employees with general management and supervisory responsibilities must complete the entire two part Basic Training program before and in connection with the opening of your Phở Hòa® restaurant. (Franchise Agreement, Paragraph VI.A.) The first part of Basic Training is a 2-week Management Training and the second part is a one-week (7 day) Opening Training course generally overlapping the opening date to help you train your opening staff and implement our operating procedures. (Franchise Agreement, Paragraph VI.A.)

6. We will sell you an opening inventory and supply of Proprietary Products presently consisting of our proprietary broth mix, logo serving bowls and plates and a sufficient number of logo uniforms for your opening staff. (Franchise Agreement, Paragraph XIII.B.)

B. Post-Opening Assistance

During the operation of your Phở Hòa® restaurant, we provide you with the following assistance:

1. We will provide regular consultation and advice in response to your inquiries about specific administrative and operating issues at the Phở Hòa® restaurant that you own. In our discretion, we will decide how best to communicate our consultation and advice, whether by telephone, in writing, electronically or in person. The method we choose in your case may be different than the methods we use for another franchisee. (Franchise Agreement, Paragraph XIV.A.1.) If you request, and we agree to provide, additional on-site training, you must pay us our then-current per day fee that we specify in the Manual, and reimburse us for our reasonable expenses in providing on-site instruction, including, without limitation, expenses for air and ground transportation, lodging, meals, and personal charges. (Franchise Agreement, Paragraphs XIV.A.2 and V.F.)

2. We may periodically designate different or additional Proprietary Products and Non-Proprietary Products which you may or must stock and promote. (Franchise Agreement, Paragraph XIII.B.1.b and XIII.C.2. and Paragraph XIII.C.3.)

3. We will fill your orders for additional Proprietary Products (broth mix, logo serving bowls and dishes and uniforms) reasonably promptly subject to supply shortages and delays that are beyond our control. (See Franchise Agreement, Paragraph XIII.B.2.)

4. In addition to the Basic Training program that we offer before and in connection with the opening of your Phở Hòa® restaurant, we may periodically offer continuing training classes at operating Phở Hòa® restaurants or other locations that we will designate. (Franchise Agreement, Paragraph VI.D.) See Item 11G. for more disclosures about continuing training. While we may make attendance of certain of your employees mandatory at certain

continuing training sessions, we will not require more than 2 persons to attend more than 3 days of continuing training each per 24 months. (Franchise Agreement, Paragraph VI.D.) Continuing training sessions may address new Proprietary Products, new recipes and other recently-implemented changes in the Phở Hòa® System, industry trends, and other topics of common interest to franchisees, including customer relations, personnel administration, advertising programs and local restaurant promotions. We will determine the length and location of continuing training classes. At this time, we expect to conduct continuing training either in San Jose, California or in the Sacramento, California area near our headquarters.

5. We will periodically visit your Phở Hòa® restaurant to inspect your operations, observe and interview your employees and review your books and records (including data stored on your computer systems) in order to verify your compliance with the Franchise Agreement and the Manual. These inspections may be recorded on video or audio tape. (Franchise Agreement, Paragraph XIV.B.)

6. We will review any advertising that you create for your local use. (Franchise Agreement, Paragraph X.B.2.)

7. We will periodically revise the Manual to incorporate new developments and changes in the Phở Hòa® System and provide you with a copy of all updates. (Franchise Agreement, Paragraph VIII.B.)

8. We will supervise the dual-brand gift card program that we describe in Item 8. You may not issue, redeem or otherwise authorize any other gift or loyalty cards, except those that we approve of in advance. (Franchise Agreement, Paragraph XIII.I.)

9. We will offer advice and advertising strategies for your grand opening advertising program. (Paragraph X.A.)

C. Advertising Services.

1. Grand Opening Advertising.

You must spend at least $2,000 on grand opening advertising to promote the opening of your Phở Hòa® restaurant. This obligation is in addition to your local advertising obligation. If you spend more than $2,000 on grand opening advertising, we do not credit the excess towards your local advertising obligation.

We help you develop a grand opening promotional program and implementation plan. Grand opening advertising is subject to our approval, which you must obtain in the same manner as local advertising. We credit towards your minimum $2,000 grand opening obligation all expenses that you incur or pay for advertising or promotion that directly benefits your Phở Hòa® restaurant if you use, distribute or broadcast the advertising or promotion either before, or within the first 30 days after, your Phở Hòa® restaurant opens for business to the public. Upon request, you must account for your grand opening expenditures by submitting a written report to us using a form in the Manual. (Franchise Agreement, Paragraph X.A.)

2. Local Advertising.

Beginning with the first full calendar month after your Phở Hòa® restaurant opens for business, you must spend a minimum of $250/month on local advertising to promote your Phở Hòa® restaurant. This is in addition to your obligation for grand opening advertising.

Our Operating Affiliate has found direct marketing/coupon promotions to be an effective form of local advertising. If our Operating Affiliate creates direct marketing materials or coupons suitable for use by our franchisees, we will make the templates available to our franchisees without charge.

You may not use any advertising, promotional or marketing materials until we approve them. Before distributing or publishing any advertising or promotional materials which you create in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third party websites and social media websites), you must obtain our written approval of the copy and proposed media or method of distribution. Even if you create your own direct mail/coupons using the slicks that we provide to you that our Operating Affiliate creates to promote its own Phở Hòa® restaurants, we still require you to submit your proposed direct mail pieces to us. As a condition of our approval, you must give us and other franchisees and licensees the right to use the materials that you develop for your own use without paying you any compensation. If you utilize social media to advertise and promote your Phở Hòa® restaurant, you must adhere to our written social media policies which we include in the Manual and may revise through Manual updates at any time.

To apply for our approval of local advertising, promotional or marketing materials that you create for your own use, you must submit a copy or transcript of the materials in the exact form you intend to use them. We have 20 days to review your request. If you do not receive our written approval within 20 days, that means we do not approve your materials (unless we notify you that we need additional time to review your materials). If you use materials that we approve, you must use them in the exact form that you submit them to us. (Franchise Agreement, Paragraph X.B.2.) Our review of your local advertising, promotional or marketing materials is not for the purpose of approving your resale prices over which you have sole control, but to verify that your materials accurately reproduce the Phở Hòa® Marks and convey a message to the public that, in our view, is consistent with the Phở Hòa® System and public image.

Additionally, you must maintain, at your own expense, white and yellow page listings for your Phở Hòa® restaurant in one or more telephone directories which we designate servicing your Phở Hòa® restaurant's market area. All telephone directory advertising must conform to our specifications and is subject to our prior approval. (Franchise Agreement, Paragraph X.B.4.) We credit your expenses for telephone directory listings towards your minimum $250/month local advertising obligation.

You will use and display the digital menus that we designate, and we will have remote access to your digital menus through the digital menu system so that we can control and manage the content on the displays. (Franchise Agreement, Paragraph X.B.6.)

3. Marketing Fund.

You are required to pay us a Marketing Fee of $500 per month (which we reserve the right to increase over time). We remit all Marketing Fees that we collect into a Marketing Fund

maintained by our Parent, which owns the Phở Hòa® Marks. Our Parent uses the Marketing Fund to create, develop and publish advertising and promotional programs designed to enhance consumer awareness and identity of the Phở Hòa® Marks and Phở Hòa® Restaurants generally.

As the administrator of the Marketing Fund, our Parent directs all advertising and marketing programs on our behalf and has sole discretion over all creative concepts, materials and endorsements and the geographic, market and media placement of all programs. Our Parent may use the Marketing Fund to pay for the cost to (i) create, prepare and produce advertising and promotional formats, materials and samples including point of sale materials, advertising slicks and copy, promotional graphics, brochures, mailers, and redeemable coupons; (ii) administer local, regional and national advertising programs, including buying media space or time, outdoor advertising art and space, direct mail lists, and electronic listings in white and yellow page web sites; (iii) maintain our website; (iv) employ advertising, public relations and media buying agencies; (v) support public relations, market and consumer research; and (vi) pay expenses directly associated with maintaining and administering the Marketing Fund, including the cost to prepare annual accountings, expenses to collect Marketing Fees from delinquent franchisees, and the cost of conducting the Annual Meeting if we decide to hold one. We do not promise that we will spend the Marketing Fund in any given geographic region or that the benefits you receive will be in proportion to your contributions.

Our Parent will prepare an unaudited annual accounting of the Marketing Fund, and we will furnish you with a copy upon request. While we attempt to spend Marketing Fund collections on a current basis, we may recover over-expenditures from, and will carry forward under-expenditures to, later accounting periods. We and our Parent may reimburse ourselves for direct costs that we or our affiliates incur to maintain and administer the Marketing Fund.

For each Phở Hòa® Restaurant that we or one of our affiliates own, we or our affiliate will contribute to the Marketing Fund on the terms and in an amount equal to the then-current rate of contribution set forth in our then-current Disclosure Document for the sale of new franchises. During any time when we have a Marketing Fund in place, but do not have a current Disclosure Document, we or our affiliate will contribute to the Marketing Fund on the terms and at the rate shown in our last Disclosure Document.

See additional disclosures about our obligations regarding the Marketing Fund in Franchise Agreement, Section X.C.

4. Local or Regional Advertising Cooperatives.

No local or regional advertising cooperatives exist in our franchise system at this time.

5. Advertising Council.

At this time, there is no advertising council composed of franchisees that advises us regarding advertising and promotional programs or policies for Phở Hòa® restaurants generally.

D. Site Selection Criteria.

Unless you already own or lease a site suitable for development as a Phở Hòa® restaurant, you will begin the site selection process immediately after you and we sign the Franchise Agreement. At this time, we do not generally own the premises that our franchisees

lease for their Phở Hòa® restaurant. We also do not select your site or negotiate your purchase or lease of a site. We will provide you with a copy of our site criteria, specifications for the design, appearance and leasehold improvements of a typical Phở Hòa® restaurant, and a sample layout for kitchen equipment when you sign the Franchise Agreement. You alone must evaluate potential sites and select a site, subject to our site approval. You may not proceed with any site that we have not approved

We consider the following factors in approving locations for Phở Hòa® restaurants: (i) demographic data for the market area that your Phở Hòa® restaurant will serve, including population age, size and income levels and residential and commercial usage; (ii) vehicular traffic and convenience of ingress and egress; (iii) general cleanliness and security of the area; (iv) parking availability; (v) visibility and street exposure; (vi) rental rates, lease terms and landlord's willingness to enter into our Addendum to Lease (**Exhibit F**); (vii) placement of the proposed location within a multi-tenant development and compatibility of adjacent tenants; (viii) lighting; (ix) square footage, existing condition of proposed location and other amenities; (x) proximity of other Phở Hòa® restaurants and competitors; (xi) strategic positioning within the market area; and (xii) building, health, sign and other applicable codes, ordinances, regulations and restrictions that affect the development of the proposed site. Our approval of your chosen site for your Phở Hòa® restaurant signifies only that the site meets our current site criteria. We have 21 days following receipt of your complete site proposal to approve or disapprove the proposed site by written notice to you.

Within 180 days from the date of the Franchise Agreement we expect you to complete the following: (i) identify one or more potential locations and submit a site proposal to us, (ii) obtain our approval for your site proposal, (iii) reach an agreement with us regarding the boundaries of your territory, and (iv) sign a lease and Addendum to Lease. Once we approve the site and before you sign the lease, we will notify you of the proposed boundaries of the Territory (if any). You should not sign a lease with a third party landlord until we reach mutual agreement as to those boundaries.

If it does not appear that you will complete these requirements within 180 days, you may apply for a 90-day extension by submitting a written extension notice at least 10 days, but not more than 60 days, before the end of the 180-day period. Any extension is subject to our discretion. In considering your request for a 90-day extension, you must demonstrate the efforts you have taken to complete the foregoing requirements and your prospects for completing them by the end of the 90-day extension period.

If, by the end of 180 days (or 270 days if we grant your request for an extension) from the date you and we sign the Franchise Agreement, you have not completed conditions (i), (ii), (iii) and (iv) above, we may terminate the Franchise Agreement. You may terminate the Franchise Agreement at any time, and for any reason, before you sign the lease and Addendum to Lease. We may refund a portion of the Initial Franchise Fee if you or we terminate the Franchise Agreement before you sign a lease and Addendum to Lease.

E. Typical Length of Time Between Signing Franchise Agreement and Opening.

From the date that we issue our Site Approval Notice (which must be no later than 180 days after signing the Franchise Agreement), it typically should take you 6 to 8 months to execute the Lease and Addendum to Lease and complete training and all pre-opening obligations, and commence operations. The time period to commence operations will vary depending on factors such as the time required to negotiate the lease, the condition of the site

and the extent of the construction required to prepare the site to be a Phở Hòa® restaurant, your hiring of staff, and the timing of initial training.

F. Computer Systems.

You must purchase an annual subscription to Slack communications software, a cloud-based intranet channel that consolidates messaging functions, tools and files and facilitates communication between members of your organization and ours more efficiently than email. Slack is an independent third-party provider with headquarters in San Francisco, California. The Slack communications channel requires no special hardware to operate other than a computer with a current Android or Apple operating system and high-speed internet capability. We hold a master contract with Slack and pass through to our franchisees the Slack monthly subscription fees, which, as of the issuance date of this Disclosure Document, are $8/month/user ($96/year/user). Each of the members of your senior management must have a Slack subscription. We will invoice you for these fees each month. See Item 6.

You must purchase the network system hardware components from our designated vendor, Unifi. The current system requirements include: (i) Unifi gateway; (ii) Unifi display cast; (iii) a network switch; (iv) an access point; and (v) a display. You may also purchase the following optional hardware: (i) security cameras; (ii) a network video recorder; and (iii) telephone equipment.

In operating your Phở Hòa® restaurant, you must use Toast POS, a cloud-based POS system that eliminates the need for an on-site server. Toast, Inc., with headquarters in Boston, Massachusetts, is a leading provider of cloud-based point of sale software and payment processing solutions for restaurants. You must use the exact Toast POS configuration that we specify and may not modify or give Toast POS instructions to modify this configuration or prevent our remote access to your Toast POS system.

You must arrange a monthly software subscription with Toast POS for each terminal and handheld device, and pay a monthly help desk support fee. All fees are payable to Toast POS directly. As of the issuance date of this Disclosure Document, Toast POS subscription fees and network system subscription fees are as follows:

Item	Fee
Terminal subscription (2 required)	$55/month per terminal
Handheld device subscription (2 required)	$25/month per handheld device
Enterprise Data Management (required)	$45/month
API Monthly Subscription (required)	$25-$75/month
Help Desk Subscription (required)	$75/month (covers all terminals)
Online Ordering (optional)	$25/month (covers all terminals)
Kiosk Terminal (optional)	$65/month

Toast POS sets these fees and may increase them subject to the terms of the Toast POS subscription agreement that you will sign. The monthly subscription fees cover the cost of all updates, which are performed automatically.

You must purchase or lease Toast POS Hardware at the then-current rates that Toast POS publishes. You must open with at least 2 POS registers/terminals, 2 thermal printers, and one cash drawer, and you must install a firewall/router and network switch for the POS hardware.

Given the requirement that you use at least two Toast POS terminals and two handheld devices, we estimate that you will pay Toast POS subscription fees equal to $255-$330 per month at Toast's current subscription rates. We estimate that the cost to purchase Toast hardware, the network system and related computer equipment will range from $11,625 to $21,212, and that the cost of Toast subscriptions for the first year of operations will range from $3,060 to $3,960. We estimate that the annual cost of optional or required maintenance, updating, upgrading, or support contracts for the Toast POS system is $900/year, which represents the help desk subscription fee payable to Toast at $75/month (included in the annual subscription estimate above). Updates to the Toast POS software are furnished as part of the basic subscription price.

You must prepare and submit monthly financial statements following generally accepted accounting principles and any additional accounting reporting requirements that we specify in the Manual. We do not recommend or require use of a particular brand of accounting software.

You must use a computer with high-speed internet capability, but we do not provide specifications for brand or model or for other business equipment, which you may purchase from any supplier. We estimate that your cost to purchase business equipment (computer, high-speed printer, fax, and miscellaneous office supplies) will be less than $3,000 during the first year of operation. The business computer must include anti-virus software. In operating your business, you must use the latest version of the particular software applications that we designate.

We may require you to use different hardware and software systems in the future. There are no contractual limitations on the frequency or cost of upgrades or changes in the computer systems that we may impose.

You must have an Internet connection for communicating sales and back-office data to us electronically. You must maintain and keep your computer system on, with appropriate modem and connectivity, to enable on-line communication between your computer system and our computer systems and our independent access to, and retrieval of, data from your computer and cash register systems with access available to us at all times. (Franchise Agreement, Paragraph XIII.F.) Nothing in the Franchise Agreement or any other contracts that you sign with us limits our right to access or use the data that we retrieve from your computer system.

We have no contractual obligation to provide maintenance, repairs, updates, or upgrades to your computer system. Except to the extent that the Slack and Toast POS subscriptions include maintenance, repairs, updates, or upgrades, you are solely responsible for costs to maintain, repair, update, or upgrade your computer system.

G. Training.

BASIC TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Management Training (96 hours)	36 hours	60 hours	We conduct classroom training at our home office and on-the-job training in or near San Jose, California or Sacramento, California
Opening Training	Not Applicable.	Approximately 56 hours over 7 consecutive days (generally 4 days before and 3 days including and after the grand opening day	Your Phở Hòa® restaurant

Before you open your Phở Hòa® restaurant, you must complete our Basic Training program, which presently consists of two parts: Management Training and Opening Training. (Franchise Agreement, Paragraph VI). For instructional materials, we primarily use the Manual.

Management Training is a comprehensive 2 week (12 day) course providing classroom instruction in the Phở Hòa® System and hands-on training in operating a Phở Hòa® restaurant. During Management Training, we cover the following subjects: (i) food handling, recipe execution and food presentation; (ii) kitchen and restaurant operations; (iii) use of the designated POS system; (iv) health and food safety procedures; (v) the organization of key personnel in your Phở Hòa® restaurant (e.g., assistant manager, kitchen supervisor, lead and other cooks, servers, beverage helper, cashiers, cleaner and kitchen helper) and the role of the restaurant manager; (vi) product ordering, management, inventory and cost controls; (vii) equipment purchasing and maintenance; (viii) local advertising and marketing strategies for promoting your Phở Hòa® restaurant; (ix) customer service; (x) the philosophy and culture of the Phở Hòa® System and review of the Manual; (xi) delegation of operating functions to opening employees; (xii) franchisee reporting requirements; and (xiii) implementing a grand opening marketing program for your Phở Hòa® restaurant.

We schedule Management Training by mutual arrangement. We do not limit the number of persons who may attend the same pre-opening Management Training class with you (subject to space availability). At a minimum, you and at least one of your management level employees must successfully complete the Management Training class to our reasonable satisfaction before we permit your Phở Hòa® restaurant to open for business. You may have to postpone your scheduled opening date so that your management team can complete additional training to our reasonable satisfaction.

At this time, we run Management Training at an operating Phở Hòa® restaurant in San Jose, California, but we may designate another operating Phở Hòa® restaurant or facility for Management Training in the Sacramento, California area near our headquarters. We may agree to provide Management Training at your Phở Hòa® restaurant; in that case, you must reimburse us for the reasonable costs for our trainer to travel to your location (including air and ground transportation, lodging, meals, and personal expenses).

Quoc Phan and Sinich Kem manage the Management Training class for us at this time, and each has experience in all of the subjects covered by the training program. Mr. Phan has worked with Phở Hòa® restaurants since 2004, with responsibility for technology, marketing, and franchise operations. Mr. Kem has worked with Phở Hòa® restaurants since 2015, with responsibility for restaurant operations and training development.

The Opening Training portion of the Basic Training class is provided over 7 consecutive days in your Phở Hòa® restaurant at the time it is ready to open for business. Generally, we schedule Opening Training to begin 4 days before the opening day and it runs through the 3rd day after opening. During that time, one of our staff members works in your Phở Hòa® restaurant to help you train your opening employees and ensure a smooth opening.

We do not charge any fee or tuition to provide the Basic Training program in connection with the opening of your Phở Hòa® restaurant. We may charge our then-current training fee if you want to send a later hire to attend a Management Training class after your Phở Hòa® restaurant opens for business or if you ask us to conduct additional training in your Phở Hòa® restaurant after opening. We may also impose our then-current training fee if we require additional training due to operating deficiencies. We may limit enrollment in our Management Training classes based on space availability.

We may offer continuing training programs and require that you or one of your managers attend specific training to cover new Proprietary Products, services or programs or to address particular aspects of the Phở Hòa® System including, without limitation, changes to the Phở Hòa® Proprietary Product line, inventory management, supplier relationships, and financial record keeping. We will not charge any training fee or tuition for these trainings, or require that more than 2 persons each complete more than 3 days of continuing training during any 24-month period. There are additional training fees for additional training that you request that we provide to you to assist you and your employees or training later hires.

You are solely responsible for covering the costs of your employees attending training (including transportation, lodging, meals, salary and other personal expenses) for any training class or program that we deliver.

We may modify our training programs at any time.

ITEM 12.
TERRITORY

The franchise is for a specific location selected by you and approved by us.

If you choose to locate your Phở Hòa® restaurant in a Metropolitan Urban Core Area, we will not assign your Phở Hòa® restaurant an exclusive territory. "**Metropolitan Urban Core Area**" is a term that is defined by the U.S. Office of Management and Budget as a geographic area within the boundaries of a Metropolitan Statistical Area as possessing a high concentration of residents or daytime workers. Examples of a Metropolitan Urban Core Area are the Borough of Manhattan or downtown Chicago or San Francisco. The Office of Management and Budget publishes geographic, statistical and population data relying on the most recent U.S. census data.

If you choose to locate your Phở Hòa® restaurant outside of a Metropolitan Urban Core Area, we will assign your Phở Hòa® restaurant its own territory ("**Territory**") as part of your

franchise rights. Your Territory will be an area measuring approximately 3 miles drawn from the front door of your Phở Hòa® restaurant, the boundaries of which we will identify by the closest roads or other geographic or political boundaries. We will not open or award a franchise to anyone else to open a Phở Hòa® restaurant in the Territory that we assign to you; your Phở Hòa® restaurant will be the only Phở Hòa® restaurant that we will approve for operation in your Territory. You do not have any exclusive or superior right to service customers who reside within your Territory. Continuation of your territorial rights is not subject to any minimum sales quota or other kind of sales or market penetration contingency.

When we approve your site, we will notify you in writing of the proposed boundaries of your Territory (unless you locate your Phở Hòa® restaurant in a Metropolitan Urban Core Area, in which case you do not receive a territory). We must mutually agree upon the boundaries. If you have questions about whether we would classify a particular site as being within a Metropolitan Urban Core Area, you should ask us before spending significant time on the proposal for that site. By signing the Lease and Addendum to Lease, you signify your approval of the Territory that we assign to a site that is not within a Metropolitan Urban Core Area.

You may relocate your Phở Hòa® restaurant only to a location that we approve in writing. Relocation is subject to certain conditions that we specify in the Franchise Agreement. You must use your best efforts to complete relocation without any interruption in the continuous operation of your Phở Hòa® restaurant unless you obtain our prior written consent. The new location need not be within your original Territory, but will be subject to the rights of any existing Phở Hòa® restaurant owner. As a condition of consenting to a temporary closure until you complete relocation, we may require you to pay Royalty Fees and Marketing Fees based on the average fees paid during the 6 months before the closure.

The Franchise Agreement does not give you any option, right of first refusal, or other preferential right to acquire additional franchises.

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

We reserve all other distribution rights that we do not expressly grant to you, and we will not owe you any compensation in connection with our solicitation of or acceptance of orders from consumers within your Territory. We may use all alternative forms and channels of distribution to make sales in your Territory, under the Phở Hòa® name or any other name, and regardless of whether we use the method now or adopt it in the future. For example, we may directly or indirectly sell the Phở Hòa® soup base, spice mix and other Proprietary Products (including pre-packaged meals and logo merchandise, like serving bowls, dishes and clothing) in the Territory through other retail and wholesale channels of distribution, including through the Internet, mail order catalogues, direct mail advertising, supermarkets, and through restaurants and other food service businesses that do not do business under the Phở Hòa® name, all without paying you any compensation.

Except as provided below with respect to delivery services, the Franchise Agreement authorizes you to engage only in retail transactions of authorized products and services to customers at your Phở Hòa® restaurant for their own use and consumption. You may not engage in (1) alternative forms or channels of distribution (like selling Proprietary Products on the Internet or through any other means other than your Phở Hòa® restaurant); or (2) wholesale

sales of any kind (including the sale or distribution of merchandise or products to a third party for resale, retail sale or other method of distribution).

You may offer your customers take-out and delivery through approved third-party delivery services, like UberEats, GrubHub, and DoorDash. We identify approved third-party delivery services in the Manual. You must obtain our prior written approval, in the manner that we describe for alternative vendors, in order to use another delivery service provider. We may restrict the area within which you may make deliveries to your Territory or to a larger area that we determine in order to ensure the quality of the foods and beverages sold through delivery and minimize conflicts with a neighboring Phở Hòa® restaurant. We make no representation that your delivery area will be equal in size to the delivery area that we assign to other franchisees. The size of a delivery area will depend on many factors, including traffic flow and congestion and proximity to other Phở Hòa® restaurants.

At this time, subject to your entry into a Catering Addendum and your compliance with the Catering Addendum and the Catering Standards, (i) you may offer and provide catering services to customers regardless of a customer's location within or outside the Territory; and (ii) we, our affiliates, and other Phở Hòa® franchisees may be permitted to offer and provide catering services to customers within or outside of the Territory, regardless of their proximity to the Authorized Location. We reserve the right to limit the geographic area in which you and/or others can service catering customers through any permitted delivery methods. If we restrict catering areas in the future, any catering area offered to you may be different than the Territory. We make no representation that your catering area will be equal in size to the catering area that we assign to other franchisees. The size of a catering area will depend on many factors, including traffic flow and congestion and proximity to other Phở Hòa® restaurants. We reserve the right to implement alternative delivery methods for catering orders. We may permit our affiliates or other franchisees to offer catering in your Territory.

We do not currently have any plan to operate or franchise another restaurant using a different mark that features the same kinds of Vietnamese foods that we sell at Phở Hòa® restaurants or that incorporate our proprietary soup base, spice mix or other Proprietary Products, but we have the right to do so in the future without paying you any compensation. If we exercise this right, however, we would not utilize the same casual dining and service format that Phở Hòa® restaurants use, and we expect that there would be overlap, but not complete identity, of menu items. For example, we might develop or license a more upscale dining concept featuring pho and other Vietnamese dishes under a different trademark.

ITEM 13.
TRADEMARKS

The primary Phở Hòa® Marks are the word mark, Phở Hòa, and our stylized lady logo appearing on page 1 of this Disclosure Document. Our Operating Affiliate is the registered owner of these marks which are both registered on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"):

Registration Number	Description of Mark	Registration Date	Registered Owner
2017091	PHỞ HÒA (word mark)	11/19/96	Operating Affiliate
3226732	Phở Hòa Noodle Soup, stylized lady logo (as shown on page 1 of this disclosure document)	4/10/07	Operating Affiliate
4512664	JAZEN TEA® (word mark)	4/8/14	Operating Affiliate

Apart from its use in the Phở Hòa® Marks, we do not claim an exclusive right to use the word "pho," the English translation of which means "beef noodle soup." Our Operating Affiliate has filed all required affidavits and renewals.

Our Operating Affiliate has entered into a written license agreement with us dated as of October 1, 2005 granting us a perpetual license to operate, and to grant sublicenses to third parties to operate, Phở Hòa® restaurants under the Phở Hòa® System and Phở Hòa® Marks in the United States, and to administer support programs for our franchisees. The license agreement does not significantly limit our right to use or license the use of the Phở Hòa® Marks in a manner material to the franchises that we offer for sale.

We are not aware of any (i) currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court; (ii) pending infringement, opposition or cancellation proceedings; or (iii) pending material litigation involving any of the Phở Hòa® Marks.

We are not aware of prior superior uses that could materially affect your use of the Phở Hòa® Marks in this state.

We are not aware of any superior prior rights or infringing uses of marks that we believe are confusingly similar to the Phở Hòa® Marks that could materially affect your use of the Phở Hòa® Marks in this state. As of the issuance date of this Disclosure Document, there may be a Phở Hòa® restaurant operating in Southern California formerly owned by Pho Hoa Vietnamese Restaurant Corp. that has changed ownership since the 2002 agreement. Under the terms of the 2002 agreement, the new owner has no right to use the Phở Hòa® Marks. We are determining the appropriate action to take regarding what we believe is the unauthorized use of the Phở Hòa® Marks. This user does not have a prior superior right to use the Phở Hòa® Marks in California.

You must notify us immediately if you learn about (i) any improper use of the Phở Hòa® Marks, (ii) a third party's use of a mark or design which is confusingly similar to the Phở Hòa® Marks, or (iii) any challenge to your use of any of the Phở Hòa® Marks. We have the sole right to handle all intellectual property claims and will take the action that we believe is appropriate under the circumstances (including taking no action). We will control the prosecution, defense or settlement of any legal action. You must cooperate with us and assist us in defending our respective rights in the Phở Hòa® Marks against third party claims. You may not take any action in your own name. Unless we establish that a third party challenge is due to your misuse of the Phở Hòa® Marks, we will defend you in the matter and will indemnify you for any liability, costs, expenses, damages or losses that you may sustain as a result of any intellectual property claim, including costs to adopt new Phở Hòa® Marks. However, in no event will we indemnify

you for any lost profits or for punitive damages that a third party recovers against you arising from an intellectual property claim.

You must modify or discontinue using any of the Phở Hòa® Marks and add new names, designs, logos or commercial symbols to the Phở Hòa® Marks as we instruct. We may impose changes whenever we believe the change is advisable and will benefit the Phở Hòa® System. We will not compensate you for any costs that you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing signs, marketing displays, branded product labels, logo merchandise and advertising), at your expense. If you conform to our directions in making the changes, your rights under the Franchise Agreement will continue in full force and effect.

ITEM 14.
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise.

Although we have not filed an application to copyright any of the written materials or designs that we share with you, including the Manual, our menu design or advertising material, we claim common law copyright in all of these materials and regard them as proprietary.

You may use the Manual only to operate and promote your franchised business during the term of the Franchise Agreement and only in the manner that we authorize. You may not duplicate, copy, disclose or disseminate the contents of the Manual without our prior consent. We may modify the Manual at any time. We will notify you of all changes in writing and you must promptly adopt the changes at your cost. You must return the Manual to us when the Franchise Agreement expires or terminates. You must keep the Manual (or, if we provide you with more than one copy, each copy of the Manual) confidential, updated and in a secure or locked receptacle when not in use. If there is a dispute over the current version of the Manual, the terms of our master copy will control. If you lose any volume of the Manual, we may charge you a replacement fee.

We are not aware of any agreements or third party claims of infringing uses that might limit our, or your, use of the Manual. We are not aware of any current determinations of the Copyright Office or any court, or any pending interference, opposition or cancellation proceedings or material litigation involving any materials in which we claim a copyright or regard as proprietary or as our trade secret.

The Franchise Agreement broadly defines the scope of information that we regard as our confidential information. During the term of the Franchise Agreement, we may share certain confidential information with you or you may learn confidential information about us, our Proprietary Products, the Phở Hòa® System or other franchisees or licensees that we regard as our confidential information. Whether we share confidential information with you or you discover confidential information independently, you may not divulge confidential information about the Phở Hòa® System or the results of your Phở Hòa® restaurants except to your employees and representatives who must know the information in order to carry on their employment duties or render professional advice to you. We may require those to whom you must disclose confidential information to sign our Confidentiality Agreement (**Exhibit I**), which gives us the right to seek equitable remedies, including restraining orders and injunctive relief, to prevent the unauthorized use of our confidential information.

While you must immediately inform us if you learn about any unauthorized use, or are the subject of a third party claim challenging your use, of the confidential information that we share with you during the term of the Franchise Agreement, we do not have to take any action to defend you in the matter or indemnify you from any claims.

You must, at your own expense, modify or discontinue the use of the specific confidential information that we identify if we modify or discontinue its use. You must not directly or indirectly contest our ownership of any information that we classify as our confidential information.

ITEM 15.
OBLIGATION TO PARTICIPATE
IN THE ACTUAL OPERATION OF YOUR PHỞ HÒA® RESTAURANT

We do not require that you or your owners personally devote full time and attention to managing and supervising all administrative and operational activities of your Phở Hòa® franchise. If you or your owners choose not to assume these responsibilities, you must assign them to a member of your senior management, who will have ongoing restaurant-level supervisory duties, must successfully complete our Basic Training program, and who must be certified by ServSafe, a food safety training and certificate program administered by the National Restaurant Association Solutions. You must keep us informed of the identity of your employees with management responsibility both on a restaurant-level and on an organizational-level. As the owner of the franchise, you remain responsible for compliance with the Franchise Agreement even if you delegate day-to-day supervisory duties to a senior manager. As the owner of the franchise, you will control the operation of your Phở Hòa® restaurant, including your employees. You must display notices in a format that we specify to inform the public that you independently own and operate your Phở Hòa® restaurant under a franchise agreement with us and are not our agent.

Each of your owners, employees and agents who has access to any information that we deem to be proprietary or confidential must, upon our request, enter into a written confidentiality agreement either with us or with you. We designate the form of contract, which we refer to as a Confidentiality, Non-Disclosure and Non-Competition Agreement. See **Exhibit I**. The agreement not only forbids disclosure of our confidential information, but it forbids your owners, employees and agents from owning an interest in, or providing services to, any business whose primary focus is the manufacture, sale or distribution of Vietnamese cuisine at retail or wholesale. These restrictions apply both during the time that these individuals associate with you and for 2 years afterwards, and should be carefully reviewed by you with your owners and prospective employees and agents. The restrictions against participating in any business whose primary focus is the manufacture, sale or distribution of Vietnamese cuisine at retail or wholesale applies (i) anywhere in the world during the term of the Franchise Agreement, and (ii) within a 10 mile radius from your former franchise location and from any other Phở Hòa® restaurant for a period of 2 years after your Franchise Agreement terminates or ends for any reason.

If you are a corporation, limited liability company or other business entity, then each person who owns 10% or more of the equity or voting interests of the business entity must execute a Personal Guaranty (**Exhibit H**) agreeing to be jointly and individually liable for all of your obligations under the Franchise Agreement. This applies also to persons who acquire a 10% or greater interest after you sign the applicable contract.

If you are married, your spouse will be asked to execute a Spousal Consent (**Schedule E** to the Franchise Agreement) acknowledging that your obligations under the Franchise Agreement are binding upon the marital community.

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only the goods and services that we designate as part of the Phở Hòa® System. You must offer all of the goods and services that we designate, and nothing else, except with our prior written approval.

If you wish to offer catering services, you must sign a Catering Addendum to the Franchise Agreement (the current version is attached to the Franchise Agreement as **Schedule G**). You may then offer catering services in accordance with the terms of the Catering Addendum and our then-current Catering Standards (included in the Manual). You may solicit and accept catering orders only for menu items that we have approved to be sold from the Franchised Restaurant (including, where applicable, items sold under the Jazen Tea® name and marks). The Catering Standards currently permit customer pick-up of catering orders at the Franchised Location or delivery through a designated catering delivery provider.

We may use the Marketing Fund to advertise specific menu offerings at suggested resale prices. However, we do not restrict the prices at which you sell any goods or services.

You may sell only to retail customers. This policy prohibits you from selling prepared foods, ready-to-heat foods or ingredients to other restaurants or retail businesses for resale to their own customers.

In the future, we may provide customers with the ability to purchase Proprietary Products from our website, www.phohoa.com, like the Phở Hòa® soup base or spice mix, or from an independent retail business or operating Phở Hòa® restaurant. We may directly or indirectly sell the Phở Hòa® soup base, spice mix and other Proprietary Products (including pre-packaged meals and logo merchandise, like serving bowls, dishes and clothing) through other retail and wholesale channels of distribution including by means of the Internet, mail order catalogues, direct mail advertising, and from supermarkets, restaurants and other food service businesses that do not do business under the Phở Hòa® name. There is no restriction on where we may engage in these activities. We forbid you to engage in these activities.

Except as we disclose in this Item 16 and in Item 12, we do not impose any restrictions regarding the customers to whom you may sell authorized products and services.

We have the right to (i) add additional Proprietary Products to the list of items that you must offer for sale or use in preparing foods for sale at your Phở Hòa® restaurant, (ii) modify and discontinue the list of Proprietary Products that you must sell or use; and (iii) add, modify and discontinue Non-Proprietary Products. We communicate all changes by written bulletins or revisions to the Manual. No limits apply to our right to impose these modifications. You will be given a reasonable time period after notice from us in which to implement these changes and discontinue selling particular items which we delete from the approved list or buying from suppliers no longer on our approved list.

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.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	IV.A.	The initial term of the franchise begins when you sign the Franchise Agreement and expires at the end of 5 complete Operating Years measured from the Opening Date of your Phở Hòa® restaurant.
b. Renewal or extension of the term	IV.B.	2 consecutive renewal options each for a term of 5 years
c. Requirements for franchisee to renew or extend	IV.B. and IV.C. and IV.D. and IV.E.	To exercise each option, you must be in good standing under the expiring Franchise Agreement, give timely notice of election to renew, adapt your Phở Hòa® restaurant to our then-current décor and design standards, satisfy our then-current training requirements, if any for renewing franchisees; sign a general release (**Exhibit G**), pay the renewal fee, and sign our then-current Franchise Agreement and the Renewal Amendment (**Exhibit N)**. The then-current franchise agreement that you must sign in order to exercise a renewal option may have materially different terms and conditions than the expiring Franchise Agreement including different or higher fees.
d. Termination by franchisee	XVII.A.1.	You may terminate the Franchise Agreement if we materially breach the Franchise Agreement and fail to cure or begin to cure within 30 days after we receive your written notice. You may also terminate the Franchise Agreement before presenting us with a site approval proposal (see Item 5). This provision is subject to state law. See State-Required Addenda (**Exhibit J**).
e. Termination by franchisor without cause	Not applicable.	Not applicable.
f. Termination by franchisor with cause	XVII.B. and XVII.C.	We may only terminate the Franchise Agreement for good cause, e.g., your material default.
g. "Cause" defined-curable defaults	XVII.B. and XVII.C.	You have 10 days after notice of default in which to cure a breach that is based on your failure to pay fees or submit reports to us. You have 10 days after notice of default in which to cure a breach that is based on any violation of federal, state or local law. Otherwise, you have 30 days after notice to default in which to cure for any other breach that is not included in the list of non-curable defaults.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. "Cause" defined-non-curable defaults	XVII.B.	The Franchise Agreement identifies non-curable defaults. They include: your breach of the lease and loss of the right to occupy the franchise location for cause; a material misrepresentation or omission in your application for the franchise; conviction or plea of no contest to a crime or offense that adversely affects you or your Phở Hòa® restaurant's reputation; misuse of the Manual, the Phở Hòa® Marks or any other confidential information or trade secrets; sale of unauthorized goods or services; receipt of 3 or more notices of default within any 24-month period; the unauthorized closure of your Phở Hòa® restaurant or failure to actively operate your Phở Hòa® restaurant for any length of time causing us to assume you have abandoned it; unauthorized assignment or attempt to assign the franchise; false reporting; your bankruptcy or insolvency; your dissolution (if you are a business entity); failure to comply with laws within 10 days after being notified of non-compliance; your acts or inactions resulting in an imminent danger to public health or safety at your Phở Hòa® restaurant; or intentionally underreporting Gross Sales under the criteria that we identify in the Franchise Agreement. See XVII.D.2 regarding cross-defaults.
i. Franchisee's obligations on termination/non-renewal	XVIII.A.	Your obligations include: complete de-identification of your Phở Hòa® restaurant; upon request, assign the restaurant lease to us; cease using the Phở Hòa® Marks; stop selling Proprietary Products and sell any inventory that you have of Proprietary Products to us at your cost; sign our form of general release (**Exhibit G**); upon request, assign your telephone numbers and business listings to us (**Schedule F**); pay all sums that you owe to us through the effective date of termination; and return the Manual and any other confidential or proprietary information to us. In addition to all other remedies, we may debit the Security Deposit. The Franchise Agreement provides for liquidated damages when termination is based on your default. The Franchise Agreement gives us a right of first refusal to purchase the assets of your Phở Hòa® restaurant. If we exercise our option, we may offset any other fees or sums that you owe to us from the purchase price. You and all Covered Persons (a term that we define in the Franchise Agreement) must comply with the covenants not to compete (see subparagraphs Q and R below). If you own more than one franchise, the termination of one Franchise Agreement will not automatically terminate any other Franchise Agreements unless the grounds upon which we rely to terminate the first Franchise Agreement also support termination of the other Franchise Agreements.
j. Assignment of contract by franchisor	XIX.A.	No restriction on our right to assign as long as the buyer agrees in writing to assume our obligations under the Franchise Agreement with you.
k. "Transfer" by franchisee - defined	XIX.C.	Includes a transfer of the Franchise Agreement, transfer of substantially all of your assets, or a change of ownership, which we regard as a change in the person or entity owning a controlling interest of a corporate, limited liability company, partnership or business entity franchisee.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
l. Franchisor approval of transfer by franchisee	XIX.F.	If you want to transfer the Franchise Agreement, you must obtain our prior written consent, which we agree not to unreasonably withhold. To obtain our consent, you must fulfill certain conditions that we state in the Franchise Agreement. Your buyer must agree in writing to assume your Franchise Agreement for the remaining unexpired term (and any unexercised renewal options).
m. Conditions for franchisor approval of transfer	XIX.F.3.	You buyer must submit a new franchisee application and qualify as a franchisee under our then-current standards for new franchisees; you must pay us a transfer fee; if we approve your buyer, the buyer must agree in writing to assume your Franchise Agreement for the unexpired term of your franchise; you must sign a general release (**Exhibit G**); you must cure any outstanding defaults; your buyer must successfully complete our then-current initial training program before your buyer may assume operations, which may require you to continue to supervise activities in your Phở Hòa® restaurant for some time after the sale closes while your buyer completes training; covenants against competition (see R. below) will apply. If the transfer is to another existing franchisee, the transfer fee is 15% of our then-current Initial Franchise and we do not have to provide the buyer with initial training.
n. Franchisor's right of first refusal to acquire franchisee's business	XIX.D.	We may match any third party offer to buy the franchise, assets or controlling interest which is the subject of a proposed transfer. We have 30 days in which to exercise our right of first refusal.
o. Franchisor's option to purchase franchisee's business	XVII.B.	The Franchise Agreement gives us an option to purchase your tangible assets upon termination or expiration of the Franchise Agreement.
p. Death or disability of franchisee	XIX.C.3.c. and XIX.I.	We treat your death or Incapacity (a term that we define in the Franchise Agreement) as an event of transfer subject to all transfer conditions. Your heirs may qualify as the buyer of your franchise rights, or they or your legal representative must assign the franchise to an approved buyer within 180 days; otherwise, we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	XVI.A.1.	Extends to each "Covered Person" (a term that we define in the Franchise Agreement); prohibits direct or indirect involvement with any competitive business; applies world-wide. By "competitive business," we mean any business that derives more than 50% of its sales or revenue from the sale of Vietnamese-style noodle soups either at retail or wholesale or, in its entirety, so resembles the trade dress, service style and menu items that comprise the distinguishing features of the Phở Hòa® System as to create a likelihood of consumer confusion or dilution of the Phở Hòa® Marks.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	XVI.2.	Extends to each "Covered Person" and to the same activities as in q. above; applies anywhere within (i) 10 miles from your Phở Hòa® restaurants, and (ii) 10 miles from every other Phở Hòa® restaurant world-wide, regardless of whether it opens before or after you sign the Franchise Agreement. Restriction extends for 2 years after the Franchise Agreement expires or terminates.
s. Modification of the agreement	XXIV.H.	The Franchise Agreement may not be modified except by a written agreement that you and we both sign. We can modify or change the Phở Hòa® System through changes in the Manual in our discretion.
t. Integration/merger clause	XXIV.I.	Only the terms of the Franchise Agreement are binding. These provisions are subject to state law. See State-Required Addenda (**Exhibit J**). No provision in any franchise agreement that you enter into with us is intended to disclaim the express representations that we make in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	XXII.	All disputes must be submitted to a mediation hearing conducted according to the procedure stated in the Franchise Agreement, except for specific disputes where we may proceed directly to court and apply for interim (e.g., injunctive) relief. Mediation will be held at our offices. Disputes that cannot be resolved through mediation or negotiation are resolved through litigation. This provision is subject to state law. See State-Required Addenda (**Exhibit J**).
v. Choice of forum	XXII.C.	State or federal courts with jurisdiction in the county where we are headquartered, which currently is in Elk Grove, California. This provision is subject to state law. See State-Required Addenda (**Exhibit J**).
w. Choice of law	XXII.E.	California law applies, unless the provision is not enforceable under California law, but is enforceable under the laws of the state where you locate your Phở Hòa® restaurant, in which case your home state's law will govern that particular provision. This provision is subject to state law. See State-Required Addenda (**Exhibit J**).

ITEM 18.
PUBLIC FIGURES

We do not use any public figure to promote our franchises, nor is there any public figure who is involved in any respect with the actual management or control of our company.

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 our management by contacting Quoc Phan, President and Chief Executive Officer, South Bay Soup Corporation, 2372 Maritime Drive, Elk Grove, California 95758, Telephone: (916) 779-8808; the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20.
OUTLETS AND FRANCHISEE INFORMATION

TABLE No. 1				
System-wide Outlet Summary For Years 2023 to 2025				
Outlet Type	**Year**	**Outlets at the Start of the Year**	**Outlets at the End of the Year**	**Net Change**
Franchised	2023	18	17	-1
	2024	17	14	-3
	2025	14	15	+1
Company-Owned	2023	3	3	0
	2024	3	3	0
	2025	3	2	-1
Total Outlets	2023	21	20	-1
	2024	20	17	-3
	2025	17	17	0

TABLE No. 2		
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2023 to 2025*		
STATE	**YEAR**	**NUMBER OF TRANSFERS**
TOTAL	2023	0
	2024	0
	2025	0

* States not listed had no activity.

TABLE No. 3								
Status of Franchised Outlets for Years 2023 to 2025								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened (Conversions)**	**Termina-tions**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations-Other Reasons**	**Outlets at End of the Year**
California	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	+1	0	0	0	0	5
Florida	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Georgia	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	+1	0	0	0	0	1
Indiana	2023	1	0	-1	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Louisiana	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Massachusetts	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Minnesota	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
North Carolina	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1

TABLE No. 3								
Status of Franchised Outlets for Years 2023 to 2025								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened (Conversions)**	**Termina-tions**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations-Other Reasons**	**Outlets at End of the Year**
Texas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Utah	2023	1	0	0	0	0	0	1
	2024	1	0	-1	0	0	0	0
	2025	0	0	0	0	0	0	0
Washington	2023	6	0	0	0	0	0	6
	2024	6	1	0	0	-1	-2	4
	2025	4	0	-1	0	0	0	3
TOTALS	2023	18	0	-1	0	0	0	17
	2024	17	1	-1	0	-1	-2	14
	2025	14	2	-1	0	0	0	15

TABLE No. 4 Statistics for Company-Owned Pho Hoa Restaurants Operated by Our Operating Affiliate, Aureflam Corporation							
Status of Company-Owned Outlets for Years 2023 to 2025							
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Outlets Reacquired From Franchisee**	**Outlets Closed**	**Outlets Sold to Franchisee**	**Outlets at End of the Year**
California	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	-1	0	2
TOTALS	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	-1	0	2

TABLE No. 5			
State	**Franchise Agreements Signed But Outlet Not Opened as of 12/31/2025**	**Projected New Franchised Outlets in the Next Fiscal Year (2026)**	**Projected New Company – Owned Outlets In the Next Fiscal Year (2026)**
California	2	2	0
Georgia	1	1	0

TABLE No. 5			
State	**Franchise Agreements Signed But Outlet Not Opened as of 12/31/2025**	**Projected New Franchised Outlets in the Next Fiscal Year (2026)**	**Projected New Company – Owned Outlets In the Next Fiscal Year (2026)**
Washington	1	2	0
TOTAL	4	5	0

Attached as **Exhibit L** is a list of the names of all franchisees and each of franchisee's respective address and telephone number as of December 31, 2025.

Attached as **Exhibit L-1** is a list of the names, city and state and current business telephone number or last known home telephone of all franchisees (and licensees of our Operating Affiliate) who have had a franchise terminated, cancelled, not renewed or who have otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recently completed fiscal year ending December 31, 2025. **Exhibit L-1** also identifies franchisees (and licensees of our Operating Affiliate) who have not communicated with us during the 10 weeks before the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Attached as **Exhibit L-2** is a list of the names, addresses and telephone numbers of all locations owned by our Operating Affiliate as of December 31, 2025, and a list of the names and address of all terminated locations owned by our Operating Affiliate as of December 31, 2025.

During the last three fiscal years, current or former franchisees under our Stand-Alone or Co-Branding programs have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Phở Hòa®. You may wish to speak with current or former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the franchise system which we have created, sponsored or endorsed as of our most recently completed fiscal year ending December 31, 2025.

ITEM 21.
FINANCIAL STATEMENTS

Attached as **Exhibit K** are our audited financial statements for the fiscal years ending December 31, 2023, 2024, and 2025.

ITEM 22.
CONTRACTS

The contracts we use in this state are exhibits to this Disclosure Document as follows:

EXHIBIT C – Franchise Agreement
EXHIBIT D – Franchise Application
EXHIBIT F – Addendum to Lease
EXHIBIT G – General Release

EXHIBIT H	–	Personal Guaranty
EXHIBIT I	–	Confidentiality, Non-Disclosure and Non-Competition Agreement
EXHIBIT J	–	State-Required Addenda
EXHIBIT N	–	Renewal Amendment

ITEM 23.
RECEIPTS

The last four pages of this Disclosure Document are detachable documents (**Exhibit O**) acknowledging your receipt of the Disclosure Document. You must sign one copy and give it to us. The other copy is for your records. If these pages or any other pages or exhibits are missing from your copy, please contact us at this address or phone number:

SOUTH BAY SOUP CORPORATION
2372 Maritime Drive
Elk Grove, California 95758
Telephone: (916) 779-8800
www.phohoa.com

EXHIBIT A

LIST OF FEDERAL AND STATE FRANCHISE ADMINISTRATORS

FEDERAL

Federal Trade Commission
6th and Pennsylvania Avenue, N.W.
Washington, D.C. 20580
(202) 523-1753

STATE AGENCIES

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws:

California State of California Department of Financial Protection and Innovation 320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 1 (866) 275-2677 ask.dfpi@dfpi.ca.gov	**Hawaii** Hawaii Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2744
Illinois Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**Indiana** Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681
Maryland Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360	**Michigan** Michigan Department of Commerce Corporation & Securities Bureau Attn: Franchise Section G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117
Minnesota Minnesota Department of Commerce Franchise Section 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 296-6328	**New York** Investor Protection Bureau NYS Department of Law 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8222

North Dakota North Dakota Securities Department State of North Dakota 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712	**Oregon** Department of Consumer & Business Services Division of Finance & Corporate Securities State of Oregon Labor and Industries Building Salem, Oregon 97310 (503) 378-4140
Rhode Island Division of Securities John O. Pastore Complex Bldg. 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 222-3048	**South Dakota** Division of Insurance Securities Regulation State of South Dakota 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
Virginia State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th floor Richmond, Virginia 23219 (804) 371-9051	**Washington** Department of Financial Institutions Securities Division State of Washington 150 Israel Rd. SW Tumwater, Washington 98501 (360) 902-8738
Wisconsin Division of Securities Department of Financial Institutions Wisconsin Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-8559	

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

California Commissioner of the Department of Financial Protection and Innovation State of California Department of Financial Protection and Innovation 320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344	**Hawaii** Hawaii Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois Office of Attorney General State of Illinois 500 South Second Street Springfield, Illinois 62706	**Indiana** Secretary of State State of Indiana 201 State House 200 West Washington Street Indianapolis, Indiana 46204
Maryland Maryland Securities Commissioner 200 Saint Paul Place Baltimore, Maryland 21202-2020	**Michigan** Michigan Department of Commerce Corporation & Securities Bureau G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933
Minnesota Commissioner of Securities Minnesota Department of Commerce Franchise Section 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198	**New York** Secretary of State 99 Washington Avenue Albany, New York 12231
North Dakota Securities Commissioner North Dakota Securities Department State of North Dakota 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510	**Oregon** Department of Consumer & Business Services Division of Finance & Corporate Securities State of Oregon 350 Winter Street, N.E., Room 21 Salem, Oregon 97310
Rhode Island Director of Business Regulation Department of Business Regulation State of Rhode Island 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, Rhode Island 02920	**South Dakota** Division of Insurance Securities Regulation State of South Dakota 124 S. Euclid, Suite 104 Pierre, South Dakota 57501

Virginia Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219	**Washington** Director of Financial Institutions Securities Division State of Washington 150 Israel Rd. SW Tumwater, Washington 98501
Wisconsin Commissioner of Securities Wisconsin Securities Commission 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705	

EXHIBIT C

FRANCHISE AGREEMENT

SOUTH BAY SOUP CORPORATION

PHỞ HÒA® FRANCHISE AGREEMENT

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SCHEDULES

A. Authorized Location and Territory
B. Personal Guaranty
C. Addendum to Lease
D. Franchisee's Covered Persons as of the Effective Date
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F. Collateral Assignment
G. Catering Addendum
H. SBA Addendum

SOUTH BAY SOUP CORPORATION

PHỞ HÒA® FRANCHISE AGREEMENT

This Phở Hòa® Franchise Agreement ("Agreement") is made and entered into on _____, ___ ("Effective Date") by and between South Bay Soup Corporation, a California corporation ("Company"), and _____ ("Franchisee") with reference to the following facts:

R E C I T A L S

A. Company owns the right to operate, and license third parties to operate, restaurants offering sit-down table-service casual dining featuring specialty Vietnamese noodle soups and plate dishes made from proprietary recipes with fresh ingredients designed to appeal to health-conscious customers (collectively referred to as the "Phở Hòa® Restaurants" and individually as a "Phở Hòa® Restaurant") under the Phở Hòa® System and Phở Hòa® Marks. The "Phở Hòa® System" refers collectively to distinctive business methods for the development and operation of Phở Hòa® Restaurants, and "Phở Hòa® Marks" refers collectively to the trademarks, service marks, logos and commercial symbols that identify, and are used in connection with the development, operation and marketing of, Phở Hòa® Restaurants.

B. Franchisee desires to obtain a license to use the Phở Hòa® System and Phở Hòa® Marks in the operation of a Phở Hòa® Restaurant, and Company is willing to grant a license to Franchisee on the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

I. DEFINITIONS

In addition to definitions incorporated in the body of this Agreement, the following capitalized terms in this Agreement are defined as follows:

A. "Addendum to Lease" means the written agreement by and between Franchisee and the landlord of the Authorized Location that adds specific terms and conditions required by Company to the Lease and grants Company the right, but not the obligation, to accept an assignment of the Lease under stated conditions, in the form attached hereto as **Schedule C**.

B. "Affiliate" means an entity that directly or indirectly controls, is controlled by, or is under common control with, a party to this Agreement. "Affiliates" means more than one Affiliate.

C. "Applicable Laws" mean applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority with jurisdiction over the operation of the Franchised Restaurant that are in effect on or after the Effective Date, as they may be amended from time to time. Applicable Laws include, without limitation, those relating to building permits and zoning requirements applicable to the use, occupancy and development of the Authorized Location; business licensing requirements; hazardous waste; occupational hazards and health; consumer protection; trade regulation; workers' compensation; unemployment insurance; withholding and payment of Federal and

State income taxes and social security taxes; collection and reporting of sales taxes; and the Americans With Disabilities Act.

D. "Authorized Location" means the business premises approved by Company for the operation of the Franchised Restaurant having the address shown on **Schedule A**.

E. "Basic Training" refers to the training program that Company provides to a franchisee before the Opening Date of a Phở Hòa® Restaurant which on the Effective Date consists of separate training courses identified as (i) Management Training; and (ii) Opening Training, as Company may revise the Basic Training program for new franchisees at any time.

F. "Business Day" means weekdays only, excluding Saturdays, Sundays and federal and state holidays observed in the state where the Franchised Restaurant is located.

G. "Business Entity" shall mean a corporation, limited liability company, partnership, limited liability partnership, trust or other type of legal entity that, under Applicable Laws, may enter into contracts in its own name.

H. "Calendar Month" means any one of the 12 months of the Calendar Year starting on the first day of the Calendar Month.

I. "Calendar Year" means the 12-month period starting on January 1 and ending on December 31.

J. "Certified Manager" is a full-time management-level employee who completes Company's training requirements to Company's reasonable satisfaction and undertakes responsibility for day-to-day operations of the Franchised Restaurant, including responsibility for supervising all employees. Franchisee's Primary Owners may qualify as a Certified Manager.

K. "Competitive Business" means any business that derives more than 50% of its sales or revenue from the sale of Vietnamese-style noodle soups either at retail or wholesale or, in its entirety, so resembles the trade dress, service style and menu items that comprise the distinguishing features of the Phở Hòa® System as to create a likelihood of consumer confusion or dilution of the Phở Hòa® Marks.

L. "Confidential Information" includes, without limitation, any information or knowledge concerning the: (i) ingredients, raw materials, recipes and food preparation processes for Proprietary Products, Non-Proprietary Products and other merchandise and services sold at Phở Hòa® Restaurants; (ii) Company's supply relationships; (iii) sales, profit performance or other results of operations of any Phở Hòa® Restaurant, including Phở Hòa® Restaurants owned and operated by Company's Affiliates or Company's Affiliates' licensees; (iv) demographic data for determining sites and territories; (v) the results of surveys and promotional programs; (vi) information pertaining to any proprietary computer system and software applications that Company may require Franchisee to use; and (vii) in general, methods, trade secrets, specifications, customer data, pricing and cost data, procedures, information systems, ideas, research, methods and knowledge about the operation of Phở Hòa® Restaurants or the Phở Hòa® System or the Phở Hòa® Marks, whether it is now known or exists or is acquired or created in the future, and whether or not the information is included in the Manual, the subject of registration or copyright (or suitable for registration or copyright), or information that Company expressly designates as Confidential Information. Any information or knowledge that Company designates to be confidential shall be treated as "Confidential

Information" for purposes of this Agreement. Confidential Information does not include (y) information that Franchisee can demonstrate came to its attention independent of purchasing a Phở Hòa® franchise and before Company's disclosure of the information in the Manual or otherwise, and (z) information that Company agrees is, or has become, generally known in the public domain, except where public knowledge is the result of Franchisee's wrongful disclosure whether or not deliberate or inadvertent.

M. "Controlling Interest" means the possession, directly or indirectly, of power to direct, or cause a change in the direction of, the management and policies of a Business Entity. Company shall consider whether a transfer, either alone or together with all other previous, simultaneous or proposed transfers, would have the effect of transferring, in the aggregate, a sufficient number of the equity or voting interests of Business Entity to enable the purchaser or transferee to direct, or cause a change in the direction of, the management and policies of the Business Entity.

N. "Covered Area" means anywhere within a 10 mile radius measured from: (i) the Authorized Location, and (ii) the Authorized Location of every other Phở Hòa® Restaurant located anywhere in the world regardless of whether the Phở Hòa® Restaurant opens before or after the Effective Date of Termination or Expiration of this Agreement, or is owned by another franchisee, Company, Company's Affiliates or Company's Affiliates' licensees.

O. "Covered Person" means (i) the individual executing this Agreement as Franchisee; (ii) each officer, director, shareholder, member, manager, trustee or general partner of Franchisee and each Franchisee Affiliate if Franchisee is a Business Entity; and (iii) the spouse, adult children, parents or siblings of the individuals included in (i) and (ii). Franchisee represents that **Schedule D** is a true and complete list of the Covered Persons as of the Effective Date.

P. "Effective Date" is the date indicated on page 1 of this Agreement.

Q. "Force Majeure" includes an event caused by or resulting from an act of God, labor issues, failure of suppliers, vendors or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, epidemic, pandemic or quarantine restrictions, material shortages or rationing, act of any government, and any other similar cause that is not within the control of the party whose performance is required.

R. "Franchised Restaurant" means the particular Phở Hòa® Restaurant that is the subject of this Agreement.

S. "Gross Sales" means the aggregate of all revenue and income from operating the Phở Hòa® Restaurant Franchised Restaurant, including the actual proceeds received from all sales of food, beverages or other goods, merchandise or services, whether payment is in cash, by credit card, gift cards, or other generally accepted form of payment. For clarity, Gross Sales include all proceeds from catering sales and services provided by Franchisee from the Franchised Restaurant. Gross Sales also include all proceeds from any business interruption insurance, revenue from the sale of menu items to employees, and the value of products and services bought by customers by redeeming authorized gift cards or loyalty cards. Excluded from Gross Sales are: (i) sales taxes and other taxes separately stated and collected from customers and pay to taxing authorities; (ii) refunds and credits made in good faith to arms' length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customer; (iv) proceeds from the sale

of gift cards; (v) proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; (vi) employee tips; and (vii) the value of menu items furnished at no cost to employees.

T. "Incapacity" is the inability due to medical reasons to devote full time and attention to the administrative and operational activities of the Franchised Restaurant that continues for at least 120 days in the aggregate during any rolling 12 month period during the Term, based upon the examination and findings of a physician selected by Company. A period of Incapacity shall continue without interruption unless and until the person suffering the Incapacity resumes his or her duties on a full time basis for 30 consecutive days.

U. "Lease" refers to the written agreement by and between Franchisee and the owner or master tenant of the business premises where the Authorized Location is situated that grants Franchisee the right to occupy and use the Authorized Location for the operation of a Phở Hòa® Restaurant.

V. "Local Advertisements" include, without limitation, all communications that Franchisee creates or adapts and intends to use, directly or indirectly, to advertise and promote the Franchised Restaurant or Franchisee's status as an authorized franchisee or that display the Phở Hòa® Marks. Local Advertisements shall include, without limitation: (i) written, printed and electronic communications; (ii) communications by means of a recorded telephone message, spoken on radio, television or similar communication media; (iii) promotional items or promotional or publicity events; (iv) listings in approved telephone directories; (v) the use of Phở Hòa® Marks on stationery, business cards, signs, products, merchandise, logo apparel, brochures, and other tangible personal property; and (vi) the use of Phở Hòa® Marks on the World Wide Web.

W. "Manual" refers collectively to all of the confidential operating manual, recipe manual and other written instructional materials loaned or delivered to Franchisee in confidence during the Term.

X. "Metropolitan Urban Core Area" refers to a geographic area designated by Company within the boundaries of a Metropolitan Statistical Area as identified by the U.S. Office of Management and Budget possessing a high concentration of residents or daytime workers. Examples of a Metropolitan Urban Core Area are Manhattan and downtown Chicago and San Francisco.

Y. "Non-Proprietary Products" refers to all equipment, supplies, ingredients, raw materials, products, merchandise, and materials authorized by Company that Franchisee may, or must, use, offer, sell or promote in operating the Franchised Restaurant that are not Proprietary Products.

Z. "Opening Date" is the date on which the Franchised Restaurant actually opens for business to the public.

AA. "Operating Year" is defined as each 12 month period during the Term of this Agreement beginning on the Opening Date.

BB. "Proprietary Products" refer to any ingredients, supplies, uniforms, specially-configured equipment or computer hardware and software applications or other merchandise that Franchisee must use or sell to operate the Franchised Restaurant in accordance with the

Phở Hòa® System that either display the Phở Hòa® Marks or are manufactured or produced in accordance with specifications and sold only by Company or its designated suppliers which may include Company's Affiliates.

CC. "Phở Hòa® System" means, collectively, the distinctive business methods for the development and operation of Phở Hòa® Restaurants that Company designates and may modify in its sole discretion at any time, including, without limitation, specialized recipes; processes for handling, preparing, presenting and serving foods and beverages served to the public; distinctive trade dress specifications; retail operating procedures; marketing strategies; standards for customer service; record keeping and financial and operational reporting; requirements regulating the use of the Phở Hòa® Marks; and Confidential Information.

DD. "Primary Owner" refers to any person who owns at least 10% of the outstanding equity or voting interests of a Franchisee that is a Business Entity.

EE. "Term" is the period starting on the Effective Date and expiring at the end of five complete Operating Years starting from the Opening Date, unless this Agreement is terminated sooner pursuant to the provisions in this Agreement.

FF. "Territory" is the geographic area, if any, shown or described on **Schedule A** that Company awards to Franchisee as part of the grant of franchise rights except if the Authorized Location is within a Metropolitan Urban Core Area.

GG. "Franchise Disclosure Document" means the Franchise Disclosure Document that Franchisee acknowledges that it received before executing this Agreement or paying any consideration for the franchise to Company or Company's Affiliates.

HH. "World Wide Web" means that portion of the Internet used primarily as a commercial computer network by the general public, and any successor technology, whether now existing or developed after the Effective Date, that, among other things, enables the general public to communicate with one another and purchase products or services from merchant-controlled World Wide Web sites.

II. GRANT

A. Award of Rights.

1. Company hereby awards to Franchisee, and Franchisee accepts, the right and license to use the Phở Hòa® System and Phở Hòa® Marks in connection with the operation of one Phở Hòa® Restaurant (the "Franchised Restaurant") at the Authorized Location, subject to the terms and conditions of this Agreement. Franchisee may not relocate the Franchised Restaurant except in accordance with this Agreement.

2. As a condition of the award of franchise rights, concurrently with the execution of this Agreement, Franchisee shall execute the form of Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name attached to this Agreement as **Schedule F**.

3. In accepting the award of rights, Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and to

continuously exert its best efforts to promote and enhance the Franchised Restaurant and the goodwill associated with the Phở Hòa® Marks and the Phở Hòa® System.

B. Limitations.

1. Company grants Franchisee no rights other than the rights expressly stated in this Agreement. Franchisee's use of the Phở Hòa® System or Phở Hòa® Marks for any purpose, or in any manner, not permitted by this Agreement shall constitute a breach of this Agreement.

2. The franchise and license awarded to Franchisee apply to the Authorized Location, and to no other location.

3. Nothing in this Agreement gives Franchisee the right to grant sublicenses to others permitting use of the Phở Hòa® Marks or Phở Hòa® System.

4. Nothing in this Agreement gives Franchisee the right to object to Company's award of franchises or development rights to others.

5. Nothing in this Agreement gives Franchisee an interest in Company or the right to participate in Company's business activities, investment or corporate opportunities.

6. This Agreement authorizes Franchisee to engage only in the sale of authorized products and services to customers at the Authorized Location or via delivery to customers at a location in the territory utilizing an approved third-party delivery service provider.

7. Franchisee shall not maintain its own World Wide Web site or otherwise maintain a presence or advertise the Franchised Restaurant or use the Phở Hòa® Marks in any domain name or on any public computer network.

C. Improvements; Duty to Conform to Modifications.

1. Any improvements, modifications or additions that Company makes to the Phở Hòa® System, or that become associated with the Phở Hòa® System, including, without limitation, ideas suggested or initiated by Franchisee, shall inure to the benefit and become the exclusive property of Company. Franchisee hereby assigns to Company or its designee all intellectual property rights, including without limitation, all copyrights, in and to any improvements or works, which Franchisee may create, acquire or obtain in operating the Franchised Restaurant. Franchisee agrees that Company may use, and authorize others to use, improvements that Franchisee suggests, initiates or originates without compensation to Franchisee and without Franchisee's permission. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent or permission to Franchisee to modify the Phở Hòa® System. Any modification that Franchisee desires to propose or make to the Phở Hòa® System shall require Company's prior written consent.

2. Any goodwill resulting from Franchisee's use of the Phở Hòa® Marks or the Phở Hòa® System shall inure to the exclusive benefit of Company. This Agreement confers no goodwill or other interest in the Phở Hòa® Marks or the Phở Hòa® System upon Franchisee, except a non-exclusive and limited license to use the Phở Hòa® Marks and the Phở Hòa® System during the Term subject to the terms and conditions stated in this Agreement.

3. Franchisee understands and agrees that Company may modify the Phở Hòa® System from time to time as often as, and in the manner that, Company's determines, in its sole discretion, is necessary to best promote Phở Hòa® Restaurants as a chain to the public. Company shall give Franchisee written notice of all changes to the Phở Hòa® System. Franchisee shall, at its own cost and expense, promptly adopt and use only those parts of the Phở Hòa® System specified by Company and shall promptly discontinue the use of those parts of the Phở Hòa® System that Company directs are to be discontinued. Except as directed by Company, Franchisee shall not change, modify or alter the Phở Hòa® System in any way.

D. Deviations from the Phở Hòa® System. Company may allow other franchisees and licensees to deviate from the Phở Hòa® System in individual cases in the exercise of Company's sole discretion. Franchisee understands and agrees that it has no right to object to any variances that Company may allow to itself, Company's Affiliates or other franchisees or licensees, and has no claim against Company for not enforcing the standards of the Phở Hòa® System uniformly. Franchisee understands and agrees that Company has no obligation to waive, make any exceptions to, or permit Franchisee to deviate from, the uniform standards of the Phở Hòa® System. Any exception or deviation that Company does allow Franchisee must be stated in writing and executed by Company in order to be enforceable against Company.

E. Additional Franchises. This Agreement does not grant Franchisee any implied or preferential right of any kind to acquire an additional franchise to operate another Franchised Restaurant.

III. AUTHORIZED LOCATION; TERRITORIAL RIGHTS

A. Selection of Authorized Location; Award of Territory.

1. If the parties have mutually agreed upon the Authorized Location on or before the Effective Date, they shall indicate the Authorized Location's street address and the boundaries of the Territory on **Schedule A**, which they shall execute at the same time they execute this Agreement, in which case the balance of this Section III.A shall not apply to Franchisee. Franchisee understands that it is not entitled to be assigned a Territory if the Authorized Location is within a Metropolitan Urban Core Area.

2. If the parties have not identified the Authorized Location on or before the date they execute this Agreement, Franchisee shall be responsible for selecting the Authorized Location, subject to Company's approval, pursuant to the procedures stated in this Section III.A. The fact that Company may, in its sole discretion, offer Franchisee advice, recommendations or site location services of any kind shall not constitute an admission on Company's part that it is responsible for identifying potential sites, and Franchisee understands that site selection shall be Franchisee's sole responsibility, subject to Company's right to approve the site.

a. In evaluating potential sites, Franchisee shall consider Company's current site selection criteria set forth in the Manual as well as Company's current specifications for the design, appearance, trade dress elements, equipment layout and leasehold improvements of a typical Phở Hòa® Restaurant, which Company shall provide to Franchisee, without charge, following the parties' execution of this Agreement. Franchisee may request site approval for more than one site; but it shall not extend the time period for obtaining site approval.

b. To obtain Company's approval of a proposed site, Franchisee shall submit a written site proposal to Company, in the form indicated in the Manual. Franchisee's site proposal shall be accompanied by a letter of intent or other evidence satisfactory to Company that confirms the willingness of the owner or master tenant of the Authorized Location to offer Franchisee a Lease and to execute an Addendum to Lease in the form required by Company.

c. Following receipt of Franchisee's written site proposal Company may, in its sole discretion, make an on-site visit to the proposed site at Company's expense if Company reasonably believes that physical inspection of the demographic conditions of the area, or the proposed site, is necessary or desirable to evaluate Franchisee's proposal. Franchisee understands and agrees that the on-site visit is at Company's option and not required by this Agreement.

d. Company shall have 21 days following receipt of Franchisee's completed site proposal to complete any site visit that it elects to make and approve or disapprove the proposed site by giving written notice to Franchisee (the "Site Approval Notice"). Company's failure to give timely notice of approval of Franchisee's written site proposal shall constitute Company's disapproval. Franchisee understands and agrees that:

(1) Franchisee is solely responsible for site selection and negotiation of a Lease for the Authorized Location.

(2) If Franchisee proposes more than one site simultaneously, Company need only approve one site at a time.

(3) Company's approval of a site is not a guaranty or warranty that operation of a Phở Hòa® Restaurant at the site will be successful or profitable. Company's approval of a site signifies only that the site meets Company's current site criteria.

(4) Company's approval of a site does not certify that Franchisee's development, use or occupancy of the site as a Phở Hòa® Restaurant will conform to Applicable Laws. Franchisee understands and agrees that it is solely responsible for investigating and complying with Applicable Laws concerning development and occupancy of the Authorized Location.

B. Territory and Territorial Rights.

1. Franchisee understands and agrees that the Territory awarded to Franchisee, if any, depends on the particular characteristics of the Authorized Location, as follows:

a. If the Authorized Location is in a Metropolitan Urban Core Area, no Territory is assigned to an Authorized Location.

b. If the Authorized Location is not in a Metropolitan Urban Core Area, the Territory shall be an area measuring approximately three miles from the front door of the Authorized Location.

2. Franchisee understands and agrees that (i) the Territory that Company assigns to each Phở Hòa® Restaurant in a comparable type of location may not be identical in

size or proportion; (ii) Company may award a particular Phở Hòa® Restaurant a larger Territory in Company's sole discretion; and (iii) Company shall designate the boundaries of the Territory by road routes, geographical or political boundaries or similar demarcations.

3. If Company approves the proposed site, Company's Site Approval Notice shall identify the boundaries of the Territory that Company will assign to the proposed site or indicate if the proposed site is in a Metropolitan Urban Core Area, in which case no Territory shall be assigned. When the parties mutually agree upon the boundaries, they shall execute **Schedule A** to indicate the street address of the Authorized Location and the boundaries of the Territory; provided their failure to execute **Schedule A** shall not invalidate the Site Approval Notice. Franchisee's objection to the proposed boundaries of the Territory or the site's designation as being in a Metropolitan Urban Core Area shall not extend the time that Franchisee has to complete site selection.

4. If Company awards Franchisee a Territory, Company agrees not to open or operate, or grant others, including (without limitation) Company's Affiliates or unrelated persons, the right to open or operate, a Phở Hòa® Restaurant under the Phở Hòa® Marks anywhere in the Territory shown or described on **Schedule A** subject to the provisions of this Agreement. Franchisee understands and agrees that:

a. The award of a Territory does not give Franchisee any exclusive or preferential right over Company, Company's Affiliates or other franchisees or licensees to (i) to sell authorized products or services to persons who reside or work in the Territory, or (ii) to market or advertise its Phở Hòa® Restaurant in media that circulates, broadcasts or otherwise is directed to or accessible by persons in the Territory.

b. Company, on behalf of itself and its Affiliates and their respective licensees, reserves all other rights not specifically granted to Franchisee pursuant to this Agreement, including, without limitation, the right, directly or indirectly:

(1) To sell, directly or indirectly, all products and merchandise of any kind, including, without limitation, the retail or wholesale sales or distribution of Proprietary Products, pre-packaged meals and merchandise bearing the Phở Hòa® Marks through any other retail and wholesale channels of distribution including by means of the Internet, mail order catalogues, direct mail advertising, and from supermarkets, restaurants and other food service businesses that do not do business under the Phở Hòa® Marks; and

(2) To open and operate, either directly or indirectly, other types of restaurants or food establishments that operate using a service format different than the casual service format utilized by Phở Hòa® Restaurants and do business under a name that is not confusingly similar to the Phở Hòa® Marks. Franchisee understands and agrees that the restaurants or food establishments that qualify under this reservation of rights may compete with Phở Hòa® Restaurants and sell the same kinds of Vietnamese foods sold at Phở Hòa® Restaurants or incorporate ingredients that Company regards as Proprietary Products. However, the restaurants or food establishments that qualify under this reservation of rights shall not utilize a casual sit-down table-service format selling at substantially similar price points to Phở Hòa® Restaurants. An example of a format not substantially similar to Phở Hòa® Restaurants would be a quick/service or take-out only dining format or a sit-down table-service dining format selling at substantially higher or substantially lower price points than Phở Hòa® Restaurants.

C. Lease and Addendum to Lease. Promptly following the parties execution of **Schedule A**, Franchisee shall (i) execute a Lease and Addendum to Lease with the real property owner or master tenant of the Authorized Location, and (ii) deliver to Company a copy of the fully-executed Lease and Addendum to Lease, together with an original UCC-1 in recordable form in favor of Company as the secured party. If Applicable Laws dispense with the requirement that Franchisee execute the UCC-1 before its recordation, Franchisee understands that Company may record a UCC-1 disclosing its security interest in Franchisee's leasehold interest.

D. Right to Terminate Agreement.

1. Franchisee may terminate this Agreement at any time, and for any reason, before Franchisee signs the Lease and Addendum to Lease by giving Company written notice of termination.

2. Franchisee may terminate this Agreement before submitting a written site proposal to Company effective by giving Franchisee written notice that it wishes to terminate this Agreement. Company shall refund $15,000 of the Initial Franchise Fee to Franchisee if Franchisee signs Company's form of General Release within 30 days from the date of Franchisee's written notice of termination; Franchisee shall not be entitled to a refund of any portion of the Initial Franchise Fee unless it timely delivers to Company an executed General Release.

E. Relocation.

1. If (i) the Lease expires or terminates for reasons other than Franchisee's breach; (ii) the Authorized Location or building in which the Franchised Restaurant is located is destroyed, condemned or otherwise rendered unusable; or (iii) the parties' mutually believe that relocation will increase the business potential of the Franchised Restaurant, Franchisee agrees to relocate the Franchised Restaurant, at Franchisee's sole expense, to a new location selected by Franchisee, and approved by Company, in accordance with Company's then-current site selection procedures as specified in the Manual, including Company's execution of a new Site Approval Notice. The new Site Approval Notice shall identify the boundaries of the new Territory, if any, which shall be awarded to the new site subject to the conditions of this Agreement pertaining to the award of a Territory. The parties shall amend **Schedule A** to reflect the street address and Territory of the new Authorized Location; provided their failure to execute **Schedule A** shall not invalidate the Site Approval Notice.

2. At Franchisee's sole expense, Franchisee shall construct and develop the new premises to conform to Company's then-current specifications for design, appearance, trade dress elements, equipment plan and layout and leasehold improvements for new Phở Hòa® Restaurants. Franchisee shall remove any signs, trade dress, equipment or similar property from the original Authorized Location that identify the original Authorized Location as belonging to the Phở Hòa® System.

3. Franchisee shall complete relocation without any interruption in the continuous operation of the Franchised Restaurant unless Company's prior written consent is obtained. As a condition to consenting to a disruption in operations, Company may impose maximum time periods, which shall be reasonable under the circumstances compelling relocation, in which Franchisee must (i) obtain Company's site selection approval for the new Authorized Location; and (ii) complete construction and development of the new premises in

accordance with Company's specifications. If Company consents to a disruption in operations and such operations cease, then Franchisee agrees that, until operations resume at the new location: (x) the term of this Agreement shall not be abated, and (y) Franchisee shall remain liable to pay Royalty Fees and Marketing Fees in an amount equal to the average paid by Franchisee during the 6 Calendar Months immediately preceding the date that operations cease or the shorter period that Franchisee has been in business at the original Authorized Location. Franchisee's failure to accept or abide by the relocation requirements shall constitute a material breach of this Agreement and grounds for termination.

IV. TERM AND RENEWAL

A. Term. This Agreement shall begin on the Effective Date and shall expire without notice 5 years from the Opening Date, unless this Agreement is sooner terminated as provided herein (the 5-year period is referred to as the "Term").

B. Renewal Term. Provided Company is granting new franchises at the time when Franchisee is permitted to exercise the renewal option granted by this Agreement, Franchisee may, at its option, renew the franchise for two additional terms of 5 years each (each 5-year period is referred to as a "Renewal Term" and each option to renew is referred to as a "Renewal Option"). To exercise each Renewal Option, Franchisee must comply with the following conditions:

1. Franchisee must give Company written notice of Franchisee's election to renew (the "Renewal Notice") at least 6 months, but not more than 9 months, before the end of the Term or first Renewal Term, as applicable. The first Renewal Term shall begin on the day immediately following the expiration of the Term and the second Renewal Term shall begin on the day immediately following the expiration of the first Renewal Term. The Renewal Option for the second Renewal Term shall be cancelled if Franchisee does not timely and effectively exercise the Renewal Option for the first Renewal Term.

2. Each Renewal Notice must be accompanied by a non-refundable renewal fee equal to 25% of the Initial Franchise Fee that Company is then charging a new Phở Hòa® franchisee for the right to open one Phở Hòa® Restaurant franchise in the state in which the Authorized Location is located.

3. Franchisee must not be in default under this Agreement or any successor Franchise Agreement at the time it gives the Renewal Notice or on the first day of the applicable Renewal Term. Further, Franchisee must not have received more than 3 notices of default during any 24 month period during the Term or first Renewal Term, as applicable, whether or not the notices relate to the same or to different defaults, and whether or not the defaults have each been timely cured by Franchisee.

4. To exercise each Renewal Option, Franchisee shall execute Company's then-current form of Franchise Agreement together with Company's then-current form of Renewal Amendment. Each then-current Renewal Amendment shall provide that (i) the term of the then-current Franchise Agreement shall be the Renewal Term and Franchisee shall not have the renewal rights set forth in the then-current Franchise Agreement, but shall instead have the Renewal Options set forth in this Agreement; (ii) Franchisee shall not be required to pay the Initial Franchise Fee stated in the then-current Franchise Agreement, but instead shall pay the renewal fee stated in this Agreement; (iii) Franchisee shall not be required to complete or participate in the initial training programs that Company is then offering to new franchisees,

but shall instead be required to complete any training programs then offered by Company to renewing franchisees. The Renewal Amendment shall not change the Authorized Location or the Territory, if any, assigned by this Agreement unless the parties mutually agree to a change; however, the Renewal Amendment shall provide that Company's reserved rights within the Territory, if any, shall be as set forth in the then-current Franchise Agreement and not as set forth in this Agreement. Franchisee understands that the then-current Franchise Agreement may be materially different than this Agreement, including, without limitation, requiring payment of additional or different fees to Company.

5. Franchisee shall satisfy Company's then-current training requirements, if any, for renewing franchisees.

6. Franchisee shall satisfy Company's then-current appearance, trade dress elements, design standards, equipment and leasehold improvement specifications that apply to new Phở Hòa® Restaurants, including, without limitation, conforming the Franchised Restaurant to Company's then-current design, appearance, trade dress elements and imaging requirements; signs; equipment, furnishings and fixtures; and accounting and recordkeeping systems.

7. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

C. Ineffective Exercise of Renewal Option. Franchisee's failure to deliver the agreements and release required by this Paragraph within 30 days after Company delivers them to Franchisee shall be deemed an election by Franchisee not to exercise the Renewal Option.

D. Extension. If Company is in the process of revising, amending or renewing its franchise disclosure document or registration to sell franchises in the state where the Franchised Restaurant is located, or, under Applicable Laws, cannot lawfully offer Franchisee its then-current form of Franchise Agreement at the time Franchisee delivers a Renewal Notice, Company may, in its sole discretion, offer to extend the terms and conditions of this Agreement on a day-to-day basis following the expiration of the Term (or the first Renewal Term, as applicable) for as long as Company deems necessary so that Company may lawfully offer its then-current form of Franchise Agreement; provided, however, nothing in this paragraph shall require Company to extend this Agreement if, at the time Franchisee delivers the Renewal Notice (i) Company is not granting new franchises, or (ii) Franchisee is in default under this Agreement.

E. Failure to Satisfy Renewal Conditions. If any of the renewal conditions are not timely satisfied, this Agreement will expire on the last day of the Term (or the first Renewal Term, as applicable) without further notice from Company; provided, however, Franchisee shall remain obligated to comply with all provisions of this Agreement that expressly, or by their nature, survive the expiration or termination of this Agreement.

V. AUTHORIZED LOCATION DEVELOPMENT AND OPENING DATE

A. Franchisee's Design Plans.

1. Company shall provide Franchisee with one set of Company's specifications for the design, appearance, trade dress elements, equipment and leasehold

improvements of the Phở Hòa® Restaurant together with a sample kitchen equipment layout after the parties execute this Agreement, which Franchisee shall use to evaluate potential sites and select the Authorized Location.

2. At Franchisee's sole expense, Franchisee shall retain the services of an architect, space designer or other appropriate construction personnel to prepare design and construction plans ("Franchisee's Design Plans") that adapt Company's specifications to the specific dimensions, square footage and conditions of the Authorized Location and to the requirements of the Lease and Applicable Laws. At a minimum, Franchisee's Design Plans shall address, without limitation, exterior signs, lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall coverings, ceiling treatments, exhaust/ventilation systems, restaurant dining, cooking and storage areas, general trade dress components and other improvements that Franchisee intends to install and use in the Authorized Location, together with such other information as may be specified in the Manual.

3. Franchisee shall submit Franchisee's Design Plans to Company for approval before Franchisee may begin construction and development of the Authorized Location. Company shall promptly review Franchisee's Design Plans and may reject or approve Franchisee's Design Plans completely, or approve Franchisee's Design Plans subject to specified modifications. Company shall communicate its decision in writing within 20 days after receipt of a complete set of Franchisee's Design Plans.

B. Development of Authorized Location.

1. Franchisee shall cause all construction and other development work to be carried out in compliance with the version of Franchisee's Design Plans that Company approves. Franchisee is solely responsible for procuring all equipment, fixtures, furniture, computer and software systems, trade dress elements, signs, supplies, materials and decorations required for development and operation of the Phở Hòa® Restaurant. Franchisee shall not make any material changes to the version of Franchisee's Design Plans that Company approves without first submitting the changes in writing to Company for further approval.

2. Franchisee shall cause all construction and development work to conform with the Lease and Applicable Laws, including, without limitation, all government and utility permit requirements (such as, for example, zoning, sanitation, building, utility and sign permits). Franchisee shall complete development of the Authorized Location diligently, expeditiously and in a first-class manner at Franchisee's sole expense.

3. Franchisee understands and agrees that it is solely responsible for selecting competent construction personnel and for supervising, and for the acts and omissions of, its construction personnel. Franchisee shall obtain all customary contractors' lien waivers for the work performed. The fact that Company may recommend an architect, designer or construction personnel to assist Franchisee in preparing Franchisee's Design Plans or with the performance of actual construction work shall not (i) excuse Franchisee from the duty to obtain Company's approval of Franchisee's Design Plans, (ii) constitute an admission on Company's part of responsibility for preparing Franchisee's Design Plans; or (iii) make Company liable for design or construction work, delays or defects of any kind.

4. Company shall have no responsibility for any delays in opening the Franchised Restaurant or for any loss resulting from the design of the Authorized Location. Company shall have access to the Authorized Location to inspect the work and performance by

Franchisee's construction personnel, but is not obligated to inspect the project periodically during development or upon completion. Franchisee understands and agrees that if Company inspects the work and performance of Franchisee's construction personnel, the inspection is not for purposes of reviewing or certifying that development is in compliance with the Lease or Applicable Laws, but solely to evaluate that development conforms with the version of Franchisee's Design Plans that Company has approved and otherwise with Company's specifications for design, appearance, trade dress elements and leasehold improvements.

C. Opening Date.

1. Franchisee shall use its best efforts to open the Authorized Location for business to the public within 8 months from the date of Company's Site Approval Notice. During this time frame, Franchisee must execute the Lease and Addendum to Lease and complete all the pre-opening obligations described in this Agreement. Franchisee shall not open the Authorized Location for business to the public under the Phở Hòa® Marks unless and until Company issues a written completion certificate. The certificate shall signify that Company finds that the Authorized Location, as built, substantially conforms to the version of Franchisee's Design Plans that Company has approved and that Franchisee has met all other pre-opening requirements including, without limitation, completing the entire Basic Training program to Company's reasonable satisfaction, designating a Certified Manager, and supplying Company with proof of all required insurance coverage all in accordance with the requirements of this Agreement. Company may require that Franchisee provide Company with photographs and video tapes showing the Authorized Location's physical readiness to open for business.

2. If Franchisee believes Company has failed to adequately provide any services required by this Agreement to be performed by Company before or in connection with the Franchised Restaurant's opening, whether in regard to site selection, site development, Basic Training, or any other matter affecting the establishment of the Franchised Restaurant, Franchisee shall so notify Company in writing within thirty (30) days following the Opening Date. Absent timely notice to Company, Franchisee shall be deemed to acknowledge conclusively that all required services to be performed by Company before or in connection with the Franchised Restaurant's opening were provided sufficiently and satisfactorily in Franchisee's judgment.

VI. TRAINING

A. Basic Training.

1. As of the Effective Date, Company's initial training program consists of two (2) modules: (i) Management Training; and (ii) Opening Training (together, these interrelated modules constitute the "Basic Training" program). The Manual and other training materials shall set forth the content and objectives of Basic Training. Company may modify the Basic Training program at any time without notice, and determine the content, duration, location and manner of conducting Basic Training in Company's sole discretion. Company does not impose a training fee in connection with providing Basic Training before and in connection with the opening of the Franchised Restaurant. Enrollment in Basic Training is by mutual arrangement and subject to space availability. At a minimum, Franchisee (if Franchisee is a natural person), one of Franchisee's owners (if Franchisee is a Business Entity) or a management level employee must successfully complete the entire Basic Training program to Company's reasonable satisfaction as a condition to opening the Franchised Restaurant.

2. If Franchisee is executing this Agreement in connection with exercising a Renewal Option, in consideration of Franchisee's payment of a renewal fee, Franchisee shall be entitled to participate in any training program that Company then provides for renewing franchisees on the same basis as other franchisees renewing contemporaneously.

3. If before the Opening Date, Franchisee, one of Franchisee's or a management level employee does not successfully complete Management Training to Company's reasonable satisfaction, Company may extend the Management Training class for a reasonable period of time and require that Franchisee, one of Franchisee's owners or a management level employee attend the extension of the Management Training class until completed to Company's reasonable satisfaction. Company will not charge a training fee for the extended period of Management Training.

4. Franchisee understands and agrees that Franchisee's, Franchisee's owner or a management level employee's successful completion of the entire Basic Training program to Company's reasonable satisfaction does not guarantee that the Franchised Restaurant will be profitable or successful.

B. Management-Level Employees; Certified Manager Qualifications.

1. All newly hired and replacement personnel whose employment responsibilities include day-to-day management of the Franchised Restaurant shall demonstrate the requisite competency to operate and manage a Phở Hòa® Restaurant in Company's judgment, based on Company's sole subjective evaluation. In order to be designated as a Certified Manager of the Franchised Restaurant, such personnel must meet Company's then-current qualifications, including satisfactorily completing applicable training requirements to Company's reasonable satisfaction and be certified by ServSafe, a food safety training and certificate program administered by the National Restaurant Association Solutions. At all times after the Opening Date, Franchisee must designate at least one full-time management-level employee who qualifies as the Certified Manager of the Franchised Restaurant.

2. Company may change the Certified Manager qualification criteria at any time effective upon notice to Franchisee. Company's notice shall specify any additional training and other requirements applicable to new Certified Managers that an existing Certified Manager must complete in order to maintain his or her designation as a Certified Manager. Company shall allow existing Certified Managers 90 days after the new criteria become effective in which to satisfy the additional training and other requirements without suffering a lapse in their designation as a Certified Manager.

3. The award of a Certified Manager designation does not constitute a warranty, guaranty or endorsement by Company or its Affiliates of the person's skills, performance ability or business acumen. Neither Company nor its Affiliates shall have any responsibility for the operating results of the Franchised Restaurant or the performance of Franchisee's employees or agents.

C. Additional Training. Franchisee may request permission to (i) enroll additional persons in the Management Training portion of Basic Training classes either before the Opening Date or during the Term, and (ii) receive additional training after the Opening Date at a mutually-acceptable location, including at the Authorized Location. Company may also require that Franchisee or designated personnel complete additional training if Company's inspections disclose operating deficiencies. Franchisee understands and agrees that all training provided

after the Opening Date shall be at mutually scheduled times and subject to space availability, payment of applicable tuition or training fees set forth in the Manual, and reimbursement of Company's actual travel expenses, including, without limitation, expenses for air and ground transportation, lodging, meals, and personal charges if additional training requires Company's personnel to travel to the Authorized Location.

D. Continuing Training. Company may periodically offer continuing training programs at one or more locations that it shall designate and require attendance by any person whom Franchisee designates as a Certified Manager; provided, however, Company shall not require that more than 2 persons designated by Company to complete more than 3 days of continuing training during any 24-month period. Company shall not charge Franchisee any training fee or tuition to send 2 persons to up to 3 days of continuing training during any 24-month period. Franchisee shall be solely responsible for covering the personal expenses of its employees attending continuing and additional training programs, including transportation, lodging, food, salary and other personal charges.

E. Training in Connection with an Event of Transfer. In connection with any event of transfer, the proposed transferee must complete Company's then-current initial training program requirements to Company's reasonable satisfaction. Franchisee or the proposed transferee shall be solely responsible for all personal expenses that the proposed transferee and its employees incur in connection with attending and completing the initial training program. Company is not obligated to provide Opening Training in the Franchised Restaurant to the proposed transferee in connection with the transfer. Franchisee shall remain responsible for operation and management of the Franchised Restaurant Franchised Restaurant until (i) the proposed transferee and its personnel complete Basic Training and demonstrate the requisite competency to operate and manage a Phở Hòa® Restaurant in Company's sole discretion, and (ii) the proposed transferee qualifies at least one Certified Manager in accordance with Company's then-current certification requirements.

F. Additional Provisions. Franchisee understands and agrees that (i) it is solely responsible for all personal expenses that it and its employees incur by attending Basic Training and any and all continuing and subsequent training provided by Company whether before or after the Opening Date, including, without limitation, costs for air and ground transportation, lodging, meals, personal expenses and salaries; (ii) if Franchisee requests, and Company agrees, to hold any training at the Authorized Location, then Franchisee shall reimburse Company for the reasonable travel expenses (including, without limitation, costs for air and ground transportation, lodging, meals, and personal expenses) of Company's representatives within ___ days of Company's invoice; and (iii) Company shall pay no compensation for any services performed by trainees during any training program provided by Company.

VII. PHỞ HÒA® MARKS

A. Ownership.

1. Franchisee understands and agrees that, as between the parties, Company or Company's Affiliates own the Phở Hòa® Marks and the Phở Hòa® System, and Franchisee owns no rights in the Phở Hòa® Marks or the Phở Hòa® System except for the license granted by this Agreement.

2. Franchisee agrees not to contest, or assist any other person to contest, the validity of Company's or Company's Affiliates' rights and interest in the Phở Hòa® Marks or the Phở Hòa® System either during or after this Agreement terminates or expires.

B. Use of Phở Hòa® Marks and Phở Hòa® System.

1. In operating the Franchised Restaurant, Franchisee shall (i) use only the Phở Hòa® Marks and elements of the Phở Hòa® System designated by Company and only in the manner authorized and permitted by Company; (ii) use the Phở Hòa® Marks only to operate the Franchised Restaurant and in connection with no other activities; (iii) display notices of trademark and service mark registrations in the exact manner that Company specifies; (iv) obtain fictitious or assumed name registrations as required by Applicable Laws; and (v) prominently post notices to customers, suppliers and others with whom Franchisee deals informing them that Franchisee is the independent owner of the Franchised Restaurant operating under a license from Company.

2. Franchisee shall not use any of the Phở Hòa® Marks or any part thereof: (i) in its corporate or legal name (if Franchisee is a Business Entity); (ii) in any email address or domain name except as permitted by Company; (iii) with any prefix, suffix or other modifying words, terms, designs, colors or symbols; (iv) in any modified form; (v) in connection with the sale of any unauthorized products or services; (vi) in any manner not expressly authorized in writing by Company; or (vii) in any manner that may result in Company's liability for Franchisee's debts or obligations.

3. Company reserves the right to: (i) modify or discontinue licensing any of the Phở Hòa® Marks; (ii) add new names, marks, designs, logos or commercial symbols to the Phở Hòa® Marks and require that Franchisee use them; (iii) modify or discontinue practices or requirements incorporated within the scope of the Phở Hòa® System as of the Effective Date; and (iv) require that Franchisee introduce or observe new practices as part of the Phở Hòa® System in operating the Franchised Restaurant. Franchisee understands and agrees that (x) the term "Phở Hòa® Marks" means the specific names, marks, designs, logos or commercial symbols licensed by Company at any given point in time during the Term or Renewal Term (if any), and (y) the term "Phở Hòa® System" means the business methods that encompass all aspects of developing, operating and marketing Phở Hòa® Restaurants subject, in each case, to Company's right to impose changes. Franchisee shall comply, at Franchisee's sole expense, with Company's directions regarding changes in the Phở Hòa® Marks and Phở Hòa® System within a reasonable time after written notice from Company. Company shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Company's directions and conforming to required changes.

4. Franchisee understands and agrees that any unauthorized use of the Phở Hòa® Marks or Phở Hòa® System by Franchisee shall constitute both a breach of this Agreement and an infringement of Company's intellectual property rights.

C. Defense of Phở Hòa® Marks and Phở Hòa® System.

1. Company shall have the sole right to handle disputes with third parties concerning Company's or Company's Affiliates' ownership of, rights in, or Franchisee's use of, the Phở Hòa® Marks or the Phở Hòa® System.

2. Franchisee shall immediately notify Company in writing if Franchisee receives notice, or is informed, of any: (i) improper use of any of the Phở Hòa® Marks or elements of the Phở Hòa® System; (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Phở Hòa® Marks; (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates the Phở Hòa® System in a manner likely to confuse or deceive the public; or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of the Phở Hòa® Marks or the Phở Hòa® System. A legal proceeding, demand or threat encompassing the subject matters described in (i), (ii), (iii) and (iv) is collectively referred to as a "Third-Party Claim."

3. Company shall have sole discretion to take such action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of a Third-Party Claim.

4. Franchisee shall not settle or compromise any Third-Party Claim and agrees to be bound by Company's decisions over how to handle the Third-Party Claim. Franchisee shall cooperate fully with Company and execute such documents and perform such actions as may, in Company's judgment, be necessary, appropriate or advisable in the defense of a Third-Party Claim and to protect and maintain Company's and Company's Affiliates' rights in the Phở Hòa® Marks and the Phở Hòa® System.

5. Unless it is established that a Third-Party Claim asserted against Franchisee is based, directly or indirectly, upon Franchisee's misuse of the Phở Hòa® Marks or the Phở Hòa® System, Company agrees to defend Franchisee against the Third-Party Claim, provided Franchisee has notified Company immediately after learning of the Third-Party Claim and fully cooperates in the defense of the Third-Party Claim. Because Company will defend the Third-Party Claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Notwithstanding Company's agreement to defend Franchisee under the conditions stated in this paragraph, Franchisee understands and agrees that Company is not liable to indemnify or reimburse Franchisee for any liability, costs, expenses, damages or losses that Franchisee may sustain as a result of the Third-Party Claim. Franchisee, on behalf of itself and each Covered Person, hereby waives any claim against Company, Company's Affiliates, and their respective officers, directors, shareholders, employees and agents based on Third-Party Claims involving the Phở Hòa® System or the Phở Hòa® Marks, including, without limitation, for lost profits or consequential damages of any kind.

VIII. MANUAL

A. Use. In connection with the Franchised Restaurant, Franchisee has the right to use the Manual for as long as this Agreement is in effect subject to the terms of this Agreement. The following conditions apply to Franchisee's use of the Manual:

1. The Manual is, and at all times shall remain, Company's sole property. Upon expiration, termination or an assignment of this Agreement, Franchisee will cease using or accessing the Manual, and in accordance with Company's instructions, either promptly destroy or return to Company any physical copy or copies of the Manual in Franchisee's possession.

2. Franchisee shall treat all information contained in the Manual as confidential, and shall use all reasonable efforts to keep the information secret. Franchisee

shall not, without Company's prior written consent, copy, duplicate, record or otherwise reproduce the Manual, in whole or in part, or otherwise loan or make it available to any person not required to have access to its contents in order to carry out his or her employment functions.

3. If Company furnishes the Manual to Franchisee in electronic form, Franchisee will not share Franchisee's password or other login information necessary to access the electronic version of the Manual or other information that Company maintains on any system-wide intranet or private computer network maintained by Company for the benefit of all Franchisees. Franchisee will furthermore take steps to ensure that Franchisee's employees do not share their individual passwords or other login information with any other person. To the extent Franchisee or Franchisee's employees have a reason to print out or copy any part of the Manual, the copies must be kept on the premises at the Franchised Restaurant in a locked desk or file cabinet and Franchisee will only grant access to the key or lock combination of the desk or file cabinet to a Franchisee employee or other person who is required to have access to the Manual in order to carry out his or her employment functions.

4. The Manual contains both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Phở Hòa® System and Franchisee's obligations under this Agreement. The Manual, as modified by Company from time to time, is an integral part of this Agreement and all provisions now or hereafter contained in the Manual or otherwise communicated to Franchisee in writing are expressly incorporated in this Agreement by this reference and made a part hereof. Franchisee shall fully comply with all mandatory requirements now or hereafter included in the Manual, and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination.

B. Updating. Company reserves the right to modify the Manual from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the Phở Hòa® System. All revisions will be reflected in written or electronic supplements to the Manual or in other written or electronic communications delivered to Franchisee, and each supplement or communication shall become effective upon receipt or on the later date specified in the writing. If updates are provided by "hard" copy (as opposed to electronically or in some comparable format), Franchisee shall insert any updated pages in its copy of the Manual upon receipt and remove superseded pages and return them to Company within 5 days following receipt. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Company.

C. Lost or Destroyed Manual. Franchisee shall promptly notify Company if any volume or part of its copy of the Manual is lost or destroyed for any reason. Provided (i) the loss is not the result of Franchisee's breach of its duty to keep the contents of the Manual confidential, and (ii) Franchisee is not otherwise in default under this Agreement, Company shall furnish Franchisee with the needed replacement copy or portion of the current Manual. Franchisee shall pay Company a replacement Manual fee of $250, per volume, plus all shipping expenses, in full within 10 days following receipt of invoice. If either (i) or (ii) is not satisfied, Company may terminate this Agreement on account of the loss or destruction of the Manual or any portion thereof.

IX. CONFIDENTIAL INFORMATION

A. Limitations on Use of Confidential Information. Franchisee acknowledges that Company will disclose Confidential Information to Franchisee in furnishing Franchisee with the Manual, other written instructions and bulletins and otherwise through the performance of Company's obligations and the exercise of its rights under this Agreement. Franchisee shall acquire no interest in Confidential Information, other than a license to utilize it in the operation of the Franchised Restaurant subject to the terms of this Agreement.

1. Franchisee's use, publication or duplication of Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee and, additionally, grounds for termination of this Agreement.

2. Pursuant to this Agreement, Franchisee shall deliver to Company a separate Confidentiality, Non-Disclosure and Non-Competition Agreement in the form required by Company, executed by Franchisee and by each person who is now, or during the Term becomes, a Covered Person.

3. Franchisee agrees to: (i) confine disclosure of Confidential Information to those of its employees and agents who require access in order to perform the functions for which they have been hired or retained; and (ii) observe and implement reasonable procedures prescribed from time to time by Company to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information, including, without limitation, requiring that employees with access to Confidential Information, who are not otherwise required to sign a Confidentiality, Non-Disclosure and Non-Competition Agreement, execute Company's current form of Confidentiality, Non-Disclosure and Non-Competition Agreement with Franchisee. Upon request from Company, Franchisee shall deliver to Company a copy of each executed Confidentiality, Non-Disclosure and Non-Competition Agreement for its records.

4. Company may terminate this Agreement if Franchisee, or any person required by this Agreement to execute a Confidentiality, Non-Disclosure and Non-Competition Agreement with Company or Franchisee, breaches the Confidentiality, Non-Disclosure and Non-Competition Agreement.

5. All agreements contained in this Agreement pertaining to Confidential Information shall survive the expiration, termination or Franchisee's assignment of this Agreement.

6. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding if Franchisee has used its best efforts and given Company a reasonable opportunity to obtain appropriate protective orders or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

B. Extraordinary Relief. Franchisee understands and agrees that Company and Company's Affiliates will suffer irreparable injury not capable of precise measurement in money damages if any Confidential Information is obtained by any person, firm or corporation and is used to compete with Company or another Phở Hòa® franchisee or otherwise in a manner adverse to Company's or Company's Affiliates' interest. Accordingly, in the event of a breach of any provision regarding use of Confidential Information, Franchisee, on behalf of itself and each person signing a Confidentiality, Non-Disclosure and Non-Competition Agreement, hereby

consents to issuance or entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief that may be granted by a court having proper jurisdiction, without the requirement that Company or Company's Affiliates post bond or comparable security. Franchisee further agrees that (1) the award of injunctive relief or other equitable remedies to Company and Company's Affiliates for such a breach is reasonable and necessary to protect the goodwill of the Phở Hòa® System and Phở Hòa® Marks and Company's and Company's Affiliates' legitimate business interests; and (2) recovery of damages is not an adequate remedy if Franchisee or any Covered Person breaches any of the confidentiality provisions in this Agreement or any Confidentiality, Non-Disclosure and Non-Competition Agreement.

C. Assignment of Copyrights.

1. Franchisee and Company acknowledge that, during the Term, Company may authorize Franchisee to use certain works in operating the Franchised Restaurant for which Company or Company's Affiliates own a copyright, or own a license to use a copyrighted work granted by a third party (collectively referred to as the "Copyrighted Works"); that the Copyrighted Works are, and shall remain, valuable property of Company and Company's Affiliates; and Franchisee shall acquire no interest in the Copyrighted Works, other than a license to use those Copyrighted Works that Company designates in the operation of the Franchised Restaurant subject to the terms of this Agreement.

2. Franchisee understands and agrees that the Copyrighted Works may include, without limitation, the Manual, advertising and promotional materials supplied by Company, proprietary software, and other categories of works eligible for protection under federal copyright laws that are created by, or for, Company or Company's Affiliates and are designated by Company for use in connection with operating a Phở Hòa® Restaurant.

3. To the extent Franchisee creates, or arranges to have created for Franchisee's benefit, any improvement or work eligible for protection under federal copyright laws, Franchisee shall execute, or have the creator execute, all documents necessary to assign all intellectual property and ownership rights, including (without limitation) all copyrights, to Company. Franchisee understands and agrees that the consideration for the assignment is the award of the franchise to Franchisee.

4. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent to Franchisee modifying, or creating any derivative work based upon, any of the Copyrighted Works. Franchisee must obtain Company's prior written consent before modifying or creating, directly or indirectly, any type of derivative work based on any Copyrighted Works.

X. ADVERTISING

Recognizing the value of advertising and the importance of standardizing advertising to maximize goodwill in the Phở Hòa® Marks, enhance general consumer awareness of Phở Hòa® Restaurants, and promote the Franchised Restaurant, Franchisee agrees as follows:

A. Grand Opening Promotion. Franchisee shall spend a minimum of $2,000 on grand opening promotional activities consisting of Local Advertisements that publicize the opening of the Franchised Restaurant and related promotional activities designed to develop consumer awareness of the Franchised Restaurant. Company shall count towards this minimum obligation the sums that Franchisee documents that it spends for Local

Advertisements and promotional activities before, and within 30 days after, the Opening Date that publicize the Franchised Restaurant including, without limitation, Franchisee's actual costs for any free give-away gifts to customers, but excluding Franchisee's normal operating expenses including, without limitation, general and administrative expenses and food costs or the value of any price discounts offered to the public. Franchisee shall substantiate its grand opening advertising expenditures upon request. Franchisee shall comply with the requirements set forth in this Agreement and the Manual for obtaining Company's prior written consent to the use of materials that constitute Local Advertisements. Company shall offer Franchisee specific advice and advertising strategies for Franchisee's grand opening advertising program.

B. Local Advertisements.

1. Starting with the first full Calendar Month after the Opening Date, Franchisee shall spend a minimum of $250 on Local Advertisements each Calendar Month during the Term; provided, however, Company may increase the minimum $250 obligation by up to $25/Calendar Month effective on January 1 of each Calendar Year during the Term, starting with the first Calendar Year after the Opening Date. Franchisee shall be entitled to carry forward any over-expenditures in a particular Calendar Month to future Calendar Months. Upon request, Franchisee shall submit a report substantiating expenditures on Local Advertisements in compliance with this Agreement.

2. Franchisee shall comply with the written guidelines for Local Advertisements set forth in the Manual. Franchisee shall not use, disseminate, broadcast or publish any Local Advertisements in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third-party websites and social media websites), without first obtaining Company's written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Local Advertisements. To apply for Company's approval of a proposed Local Advertisement, Franchisee shall submit a true and correct copy, sample or transcript of the proposed Local Advertisement, together with a written business plan that explains the proposed media plan, promotional event or other intended use of the proposed Local Advertisement. Company shall have 20 days from the date of receipt in which to approve or disapprove of the submitted materials for the intended use. If written approval is not received by the end of 20 days, Company shall be deemed to have rejected the proposed Local Advertisement. If written approval is given on or before the end of 20 days, Franchisee may use the proposed Local Advertisement, but only in the exact form and manner submitted to Company.

3. Franchisee shall have the right to determine the prices at which Franchisee sells all authorized products and services. Submission of a proposed Local Advertisement to Company for approval shall not be for purposes of allowing Company to approve Franchisee's prices, over which Company shall have no control.

4. Franchisee shall maintain white and yellow page listings for the Franchised Restaurant in the form approved by Company, in one or more telephone directories which Company designates servicing the Franchised Restaurant market area. All telephone directory advertising shall be considered Local Advertisements, subject to Company's prior approval. Payments that Franchisee makes for telephone directory advertising shall be credited to Franchisee's minimum obligation for Local Advertisements for the Calendar Month in which payment is made.

5. At Franchisee's expense, Franchisee shall immediately remove from circulation and cease using any previously approved Local Advertisement if Company determines, in its sole discretion, that continued circulation or use may, or will, damage the integrity or reputation of the Phở Hòa® Marks, is otherwise necessary to protect the goodwill of the Phở Hòa® System and Company's and Company's Affiliates' reasonable business interests, or otherwise violates this Agreement.

6. Franchisee shall display in the Authorized Location any promotional materials and digital menus related to any Company chain-wide advertising campaigns; provided, however, that nothing herein shall require Franchisee to participate in any future price-point campaign promoted by Company, it being understood that Franchisee shall at all times be free to establish its own prices. Franchisee shall provide Company with access to its digital menu and audio/visual system. Franchisee acknowledges and agrees that Company may control the content of its digital menus and audio/visual system and display advertising and marketing materials. As of the Effective Date, Company does not charge a fee for its management of the digital menu system, but reserves the right to implement a monthly service fee in the future.

C. Phở Hòa® Marketing Fund.

1. Company has set up the Phở Hòa® Marketing Fund ("Marketing Fund") for the purpose of underwriting expenses associated with the creation, development and publication of advertising and promotional programs designed to enhance consumer awareness and identity of the Phở Hòa® Marks and Phở Hòa® Restaurants generally for the benefit of all Phở Hòa® Restaurants. Franchisee must pay Company a Marketing Fee of $500 per month ("Marketing Fee"). Company may increase the Marketing Fee by up to 10% on January 1 of each year during the Term over the prior year's Marketing Fee.

2. The Marketing Fund is not a trust. Company does not owe franchisee a fiduciary duty based on Company's authority to administer the Marketing Fund or otherwise.

3. Franchisee shall pay Marketing Fees to Company, without offset, credit or deduction of any nature, which shall be due and payable for the same period and on the same date as the Royalty Fee. Payment shall be by check or by such other method, including automatic bank debit, as Company may from time to time direct.

4. Company shall deposit all Marketing Fees that Company collects from Franchisee and its other Phở Hòa® franchisees into the Marketing Fund, which will be maintained in a separate bank account segregated from the Company's other funds.

5. Company shall use the Marketing Fund to meet the costs of maintaining, administering, directing and preparing advertising and marketing programs, public relations and market research. Company is not be restricted with respect to what, where and how the Marketing Fund will be applied for these purposes. Company retains sole discretion over the form, content, time, location, market and choice of media and markets for all advertising and promotion paid for from the Marketing Fund proceeds. Without limiting the scope of Company's general authority and sole discretion, Company may use the Marketing Fund to pay for the cost to (i) create, prepare and produce advertising and promotional formats, materials and samples including, without limitation, point of sale materials, advertising slicks and copy, promotional graphics, brochures, mailers, and gift certificate coupons; (ii) administer local, regional and national advertising programs, including buying media space or time, outdoor advertising art

and space, direct mail lists, and electronic listings in white and yellow page web sites; (iii) maintain Company's World Wide Web site; (iv) employ advertising, public relations and media buying agencies; (v) support public relations, market and consumer research; (vi) engage in social media activities; and (vii) pay expenses directly associated with maintaining and administering the Marketing Fund, including, without limitation, the cost to prepare annual accountings, expenses to collect Marketing Fees from delinquent franchisees, and the cost of conducting the Annual Meeting if Company elects to hold one. The following additional conditions apply to the Marketing Fund:

a. Company makes no representation that any amount of the Marketing Fund will be spent in any given geographic region or area, that monies will be spent on advertising or promotion that is national in scope, or that monies will be spent in Franchisee's market area in proportion to Franchisee's contributions to the Marketing Fund.

b. Company may (i) collect rebates, credits or other payments from suppliers based on purchases or sales by Franchisee, and (ii) condition its approval of a supplier on the supplier's willingness to agree to make such payments to Company or Company's Affiliates on account of Franchisee's purchases. Company shall have sole discretion to refund any supplier payments to Franchisee, contribute the supplier payments to the Marketing Fund, or retain the supplier payments for Company's own use regardless of any designation given to the payments by the supplier. If Company elects to contribute a payment to the Marketing Fund, the contribution shall not reduce Franchisee's obligation for Marketing Fees.

c. As long as Franchisee is not in default under this Agreement, Company shall make marketing, advertising and promotional formats and sample materials created by the Marketing Fund available to Franchisee with, or without, additional reasonable charge, in Company's sole discretion; provided, however, Company's pricing policies shall apply to all Phở Hòa® franchisees. Franchisee shall be solely responsible for all costs to reproduce the formats and materials for its own use and distribution. In connection with reproduction and use of formats and materials created by the Marketing Fund, Franchisee shall observe Company's requirements with respect to protecting Confidential Information and Company's rights in the Phở Hòa® Marks.

d. Company will prepare an annual accounting of the Marketing Fund, and will furnish a copy of it to Franchisee upon request. While Company will attempt to expend Marketing Fund collections on a current basis, it may recover over-expenditures from subsequent years and may carry forward under-expenditures. Company may reimburse itself for reasonable internal expenses that it and its Affiliates incur directly associated with maintaining and administering the Marketing Fund including, without limitation, expenses to collect contributions and general operating expenses (such as for rent and salaries in proportion to time devoted to Marketing Fund matters) and for attorneys' fees and other costs related to claims by, or against, the Marketing Fund.

e. Company may, but is not obligated to, loan money to the Marketing Fund in the event desired expenditures for any period exceed the balance in the Marketing Fund. Any funds loaned to the Marketing Fund will be repayable upon demand when funds are available and bear interest at no more than 2 points over the then-current prime lending rate of Bank of America, its successor, or, if no longer in operation, another national banking institution with headquarters in the United States.

f. The Marketing Fund is of perpetual duration, Company reserves the right to terminate the Marketing Fund at any time. If there is a balance in the Marketing Fund after payment of final expenses when Company terminates the Marketing Fund, Company shall refund the remaining balance to the Phở Hòa® operators who paid Marketing Fees before Company announced the Marketing Fund's termination in proportion to the amount of each operator's payment. Company shall determine the allocation of any refund in its sole discretion. Company may reinstate the Marketing Fund on the terms and conditions stated in this Agreement effective upon no less than 30 days' written notice to Franchisee.

g. For each Phở Hòa® Restaurant that Company or Company's Affiliates own, Company or Company's Affiliates shall contribute to the Marketing Fund on the terms and in an amount equal to the then-current rate of contribution set forth in Company's then-current Franchise Disclosure Document for the sale of new franchises. During any time when Company does not have a current Franchise Disclosure Document and administers the Marketing Fund, Company shall make contributions to the Marketing Fund on the terms and at the rate in Company's last Franchise Disclosure Document.

XI. PAYMENTS

A. Initial Franchise Fee.

1. In consideration of the franchise and license granted to Franchisee, Franchisee shall pay to Company in full upon execution of this Agreement an initial franchise fee (the "Initial Franchise Fee") in the sum of $30,000, less any deposit paid by Franchisee to Company before the date of this Agreement.

2. The Initial Franchise Fee is fully earned when paid and not refundable under any circumstance except as set forth in Section III.D of this Agreement.

3. If Company's Franchise Disclosure Document delivered to Franchisee in connection with the sale of this franchise disclosed that Company will discount the Initial Franchise Fee when an existing franchisee purchases a second or subsequent franchise and if Franchisee qualifies for the discount, Company will adjust the Initial Franchise Fee to conform with Company's Franchise Disclosure Document.

B. Royalty Fee. In consideration of the franchise and license awarded to Franchisee, beginning on the Opening Date and for the remainder of the Term, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Royalty Fee equal to 4% of the aggregate Gross Sales of the Franchised Restaurant. Until further notice, the Royalty Fee shall be due and payable monthly on or before the 10th day of each Calendar Month based upon the aggregate Gross Sales of the Franchised Restaurant for the prior Calendar Month.

C. Method of Payment of Other Fees. Marketing Fees are due and payable in the same manner and for the same period as Royalty Fees. All other payments required to be made to Company or Company's Affiliates pursuant to this Agreement shall be due and payable on the date indicated in this Agreement and in the same manner as the Royalty Fee. Company may change the accounting period for paying and reporting Royalty Fees, Marketing Fees and other fees under this Agreement on no less than 14 days written notice. For example, instead of paying Royalty Fees and Marketing Fees on a monthly basis, Company may designate weekly payments. Additionally, upon 14 days written notice, Company may require that payment be accomplished following Company's automated clearing house procedures

described in the Manual which may include payment by automatic direct debit or an equivalent system that eliminates delay in crediting Company's bank account with payment.

D. Administrative Default Charge. In addition to all other obligations imposed by this Agreement arising in the event of Franchisee's default in performance or payment, Franchisee shall pay to Company, without offset, credit or deduction of any nature, an Administrative Default Charge of $250 per default. The duty to pay the Administrative Default Charge shall not limit Company's other rights or remedies under this Agreement or Applicable Laws.

E. Security Deposit. On or before the Opening Date, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Security Deposit of $6,000. Franchisee understands and agrees that Company may charge the Security Deposit at any time, without prior written notice to Franchisee, if Franchisee fails to pay Royalty Fees, Marketing Fees, or any other payments (including late charges) due to Company under this Agreement or due to any of Company's affiliates for products or services. By charging the Security Deposit, Company shall not waive any of its rights or remedies under this Agreement or Applicable Laws, including, without limitation, the right to collect late charges. Company shall notify Franchisee after debiting the Security Deposit and Franchisee shall have 15 days after receipt of Company's notice to restore the Security Deposit to the full amount.

F. Late Charges. If Franchisee fails to pay any amount due to Company under this Agreement by the date payment is due, Franchisee shall additionally be obligated to pay, as a late charge, an amount equal to the product of the total amount past due multiplied by 1.5% per month (or the maximum legal rate of interest then permitted under Applicable Laws) calculated starting on the date payment was due and continuing until the entire sum and late charge is paid in full.

G. No Waiver. Franchisee understands and agrees that the provisions of this Section regarding late charges and the Security Deposit do not constitute an agreement by Company to accept any payment after the date payment is due or a commitment by Company to extend credit to, or otherwise finance, the Franchised Restaurant, and that Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this provision.

H. Non-Compliance Fees.

1. Company may impose specific Non-Compliance Fees if Franchisee fails to meet certain performance standards (collectively, the "Performance Standards"). Franchisee acknowledges that the Franchise Disclosure Document identifies the Performance Standards and Non-Compliance Fees in effect as of the Effective Date of this Agreement. These Performance Standards and Non-Compliance Fees are set forth in the Manual, which this Agreement incorporates by reference. During the Term, Company may expand the Performance Standards through updates to the Manual to address other areas of non-compliance with the Phở Hòa® System, which shall result in the obligation to pay a Non-Compliance Fee for each new Performance Standard default that does not exceed the then highest individual Non-Compliance Fee in effect for any Performance Standard.

2. Franchisee understands that Performance Standards articulate minimum requirements for certain aspects of the Phở Hòa® System in order to protect the integrity and reputation of the Marks. The goal of imposing Non-Compliance Fees is to provide Franchisee with an incentive to maintain best practices at all times in operating the Franchised Restaurant

and steadfast adherence to the Phở Hòa® System requirements in performing its duties under this Agreement.

3. The decision to impose Non-Compliance Fees does not limit or waive Company's right to terminate Franchisee based on Franchisee's Performance Standard default. Nothing in this Agreement requires that Company impose Non-Compliance Fees for a Performance Standard default in lieu of serving Franchisee with a notice of default or terminating this Agreement based on that default. Company may impose Non-Compliance Fees either by serving Franchisee with (i) a citation notice ("Citation Notice") that specifies the specific Performance Standard default and the applicable Non-Compliance Fee payable as part of the duty to correct the default; or (ii) a notice of default that also specifies the specific Performance Standard default and Non-Compliance Fees payable, but also states that, if the default is not timely cured, Company may terminate this Agreement. By issuing a Citation Notice and not a notice of default, Company agrees to accept Franchisee's timely payment of the applicable Non-Compliance Fee as Company's sole remedy and not issue a notice of default or pursue termination of the Franchise Agreement based on the Performance Standard default described in the Citation Notice. If Company issues a Citation Notice for a particular Performance Standard default, nothing in this Agreement limits or waives Company's right to issue a notice of default with respect to the next Performance Standard default, whether or not the next default pertains to the same or different Performance Standard.

4. Non-Compliance Fees are due and payable in full without offset on or before the date indicated in the Citation Notice or notice of default.

5. Franchisee is solely responsible for implementing procedures and training and supervising its employees to comply with all Performance Standards. If at any time Franchisee is unsure about Company's expectations in measuring compliance with a Performance Standard, Franchisee is responsible for seeking advice from Company.

6. Company may increase Non-Compliance Fees annually by an amount not to exceed 10% on January 1 of each year during the Term over the prior year's Non-Compliance Fee.

7. If more than one Performance Standard default takes place, Company may issue a separate Citation Notice or notice of default per Performance Standard default.

I. Application of Fees. Notwithstanding any designation given to a payment by Franchisee, Company shall have sole discretion to apply any payments from Franchisee to any past due indebtedness owed to Company or Company's Affiliates in the amounts and order as Company shall determine.

J. Gross Receipts or Equivalent Taxes. Franchisee shall pay to Company the amount of any state or local sales, use, gross receipts, or similar tax that Company may be required to pay on payments which Franchisee makes to Company under this Agreement, regardless of whether the state or local tax is imposed directly on Company, is required to be withheld by Franchisee from amounts due to Company under this Agreement, or is otherwise required to be collected by Franchisee from Company. Franchisee's obligation under this Section shall not be reduced or offset by any type of claim, credit or deduction of any kind. This provision shall not apply to income taxes or comparable taxes measured by income to which Company may be subject.

XII. ACCOUNTING AND RECORDS

A. Maintenance of Business Records.

1. During the Term, Franchisee shall maintain full, complete and accurate business records in accordance with the standards stated in the Manual or otherwise prescribed by Company in writing.

2. Franchisee shall keep all business records and required business equipment and business software systems together at the place where notices to Franchisee are required to be sent, unless Company grants Franchisee permission to keep its business records elsewhere.

3. All business records that this Agreement requires Franchisee to maintain shall be retained by Franchisee for a minimum of 7 years during, and following, the expiration, termination, or Franchisee's assignment, of this Agreement.

B. Reports.

1. After the Opening Date, Franchisee shall submit to Company periodic financial, operational and statistical reports and information as Company may require to enable Company to (i) provide Franchisee with consultation and advice in accordance with this Agreement; (ii) monitor Franchisee's performance under this Agreement, purchases, revenue, operating costs and expenses and profitability; (iii) develop chain-wide statistics; (iv) develop new operating procedures; (v) develop new Proprietary Products; and (vi) implement changes in the Phở Hòa® System to respond to competitive and marketplace changes. Without limiting the types of reports that Company may require, Franchisee shall prepare and submit the following financial reports in accordance with the accounting, recordkeeping and bookkeeping procedures and in the format prescribed in the Manual:

a. On or before the 10th day of each Calendar Month after the Opening Date, a profit and loss statement and balance sheet showing the results of operation during the prior Calendar Month just ended and cumulative information for the Calendar Year-to-date.

b. Within 45 days after the end of each Calendar Year during the Term, a profit and loss statement and balance sheet as of the last day of the Calendar Year.

2. Nothing herein shall prevent Company from electronically polling the Franchised Restaurant's bank accounts and other financial and operating records daily, or more frequently, by electronic or other remote means and Franchisee hereby grants Company authority to do so. Franchisee shall observe the mandatory requirements set forth in the Manual to enable Company's remote access to Franchisee's bank and operating records.

3. Franchisee shall comply with Company's requests for additional information. This obligation includes, without limitation, (i) supplying Company with a copy of all sales and income tax returns relating to the Franchised Restaurant at the time Franchisee files them with governmental authorities, and (ii) complying with Company's inventory control procedures to enable Company to evaluate food and beverage costs and other operational issues.

4. Franchisee certifies that all reports, forms, records, information and data that Franchisee is required to maintain or submit, or voluntarily maintains or submits, or directs a third party to maintain or submit on its behalf, to Company, will be true and correct and not omit material facts that are necessary in order to make the information disclosed not misleading.

C. Recording of Transactions. Franchisee shall track and record all transactions with customers of the Franchised Restaurant utilizing the computer and cash control systems prescribed by Company in the Manual. Franchisee shall utilize the specific proprietary or non-proprietary business computer systems and software programs that Company designates to record point-of-sale transactions, prepare operating reports, fulfill accounting, recordkeeping and bookkeeping duties, and perform similar functions in accordance with the requirements of the Manual. All of the foregoing equipment and software shall be purchased or licensed and maintained by Franchisee at its sole expense and shall at all times conform to Company's specifications, which Company may modify in its discretion from time to time.

D. Audit Rights.

1. Company and its representatives shall have full access to examine, audit and copy Franchisee's business records relating to the Franchised Restaurant, including Franchisee's federal and state income tax returns and sales tax returns, and bank statements (including deposit slips and canceled checks), stored on Franchisee's computer terminal, point-of-sale systems or on disk, and any other documents and information that Company reasonably requests in order to verify the business activities of the Franchised Restaurant and other information reported to Company.

2. Company may conduct its examination and audit in Franchisee's business office where the records are kept or request that copies of documents be made by Franchisee and sent to Company or to its representatives for examination and audit at a location that Company specifies. Franchisee understands and agrees that Company or its representatives may also access Franchisee's business records kept on disk or stored on Franchisee's computer terminals at any time, without notice, by remote electronic means and shall cooperate with the examination by enabling electronic and remote connections. Additionally, Company may, at its expense, have an audit made at any time of Franchisee's business records by an independent certified public accountant chosen by Company. Company may terminate this Agreement if Company discovers that Franchisee has reported false information above the Franchised Restaurant to Company.

3. If any examination or audit conducted by Company reveals any understatement in the Gross Sales or other false information reported by Franchisee to Company, then Franchisee shall, within 10 days after notice from Company, pay to Company any additional Royalty Fees and Marketing Fees that are owed, together with interest and late charges as provided in this Agreement. Additionally, Company may require that, until further notice from Company, all future reports and financial statements submitted by Franchisee pursuant to this Agreement be prepared by an independent certified public accountant acceptable to Company.

4. If Company discovers that Franchisee has underreported Gross Sales by an amount that is 2% or more of the actual Gross Sales for the period, Franchisee shall also pay and reimburse Company for all expenses that Company incurs connected with Company's examination and audit, including, but not limited to, Company's accounting and legal fees and travel expenses.

5. If 2 or more audits or examinations of Franchisee's business records conducted within any 24 Calendar Month period disclose that Franchisee has underreported Gross Sales by an amount that is 2% or more of the actual Gross Sales for the period, then the second understatement shall be conclusively presumed to have been intentional for purposes of this Agreement. In addition to the consequences identified in this Agreement arising because of the understatement, Company may terminate this Agreement upon discovery of the second understatement based upon Franchisee's intentional underreporting of Gross Sales.

E. Electronic Payment Systems.

1. Upon 14 days written notice from Company, all required payments to Company and Company's Affiliates must be made through a designated payment system using pre-authorized transfers from Franchisee's operating account through the use of electronic fund transfers, or, if Company requests, by special checks or other payment systems that it designates. Franchisee shall give its financial institution instructions in a form provided or approved by Company and obtain the financial institution's agreement to follow the instructions to effectuate the electronic payment system meeting Company's requirements. Without Company's prior written consent, the financial institution's agreement may not be withdrawn, modified or cancelled. Franchisee must also execute any other documents or agreements relating to establishing or maintaining an electronic payment system as Company or the financial institution may reasonably request from time to time.

2. Franchisee shall deposit all revenue from the Franchised Restaurant into the operating account accessed by the electronic payment system within one Business Day after receipt. Franchisee shall maintain sufficient funds in the designated operating accounts to ensure full payment of continuing Royalty Fees, Marketing Fees and payment of all other obligations to Company, Company's Affiliates and third parties when due. In the event a payment cannot be made due to insufficient funds in Franchisee's operating account, Company may, in its sole discretion or election, declare a breach of this Agreement or require that Franchisee direct its financial institution to send Company a monthly or periodic statement showing all account activity at the same time that it sends such statements to Franchisee or give Company electronic access to Franchisee's account activity if the financial institution makes electronic access available to its account holders.

3. Franchisee shall be responsible for all fees charged by its bank to establish and/or set up an electronic fund payment system meeting Company's requirements and for all fees and charges resulting from insufficient funds being in Franchisee's bank accounts at the time funds are withdrawn to pay obligations owed to Company or Company's Affiliates.

4. The duty to maintain an electronic payment system shall not change the date on which payments are due under this Agreement.

XIII. STANDARDS OF QUALITY AND PERFORMANCE

A. Strict and Punctual Performance. Franchisee understands and agrees that its strict and punctual performance of all obligations set forth in this Agreement, the Manual or otherwise communicated to Franchisee in writing is a condition of the franchise granted to Franchisee. Without limiting the scope of Franchisee's duties, Franchisee's failure to abide by Company's standards of quality and performance shall not only constitute a breach of this Agreement, but infringement of the Phở Hòa® Marks.

B. Proprietary Products.

1. Franchisee shall (i) purchase, lease or license the particular Proprietary Products that Company designates from time to time designates and introduces into the Phở Hòa® System only from the suppliers that Company designates, which may include Company and Company's Affiliates, and (ii) use the Proprietary Products only in the manner that Company authorizes and for no other purpose. If Company or Company's Affiliate is designated as the supplier, Franchisee understands and agrees that Company and Company's Affiliates, as supplier, shall have sole discretion to establish and change prices and other terms of sale, shipment and delivery, which shall be stated on their invoice or purchase order forms, in the Manual or communicated to Franchisee by other means; provided, however, the prices that Franchisee shall pay shall be the same as the prices charged to similarly situated franchisees. Additionally, the parties agree that:

a. To the extent any Proprietary Products constitute ingredients incorporated into mandatory menu items or inventory sold to the public, Franchisee shall maintain sufficient quantities of the Proprietary Products in stock at the Authorized Location in order to meet reasonably anticipated consumer demand and avoid shortages.

b. Company may change the specifications, methods of use, formula, ingredients, designations, price and other features of any Proprietary Products, and add new products and delete existing products from the items that Company identifies as Proprietary Products, as frequently as Company deems necessary in its sole discretion. Franchisee shall conform to all changes promptly following written notice from Company unless Company's written notice specifies a later implementation date. If Company withdraws its approval of any Proprietary Products that constitute inventory sold to the public, Company shall allow Franchisee a reasonable amount of time to deplete its existing inventory to avoid waste. Nothing in this Agreement shall obligate Company to reveal the specifications, formulas or recipes of any Proprietary Products or raw materials or ingredients used to formulate or prepare Proprietary Products or information regarding Company's relationship with third-party suppliers of Proprietary Products or raw materials or ingredients, all of which Franchisee understands and agrees constitute Confidential Information.

c. Company may withdraw its designation of a particular item as a Proprietary Product at any time if Company, in its sole discretion, determines that doing so is in the best interests of Company or the Phở Hòa® System. Revocation shall be effective immediately upon written notice or by the date specified in Company's written notice.

2. Neither Company nor Company's Affiliates shall be liable to Franchisee for delays or shortages in the supply of Proprietary Products that they elect to sell, lease or license to Franchisee due to causes beyond their control.

3. Franchisee understands and agrees that Company's designation of a particular third-party supplier from whom Franchisee must purchase, lease or license a specified Proprietary Product does not constitute a representation or warranty of the supplier's ability to meet Franchisee's requirements nor of the fitness or merchantability of the Proprietary Products sold, leased or licensed by the supplier. Franchisee understands and agrees that its sole remedy in the event of any shortages, delays or defects in the Proprietary Products purchased, sold or leased from a designated third-party supplier shall be against the supplier, not Company or Company's Affiliates.

C. Non-Proprietary Products; Alternative Suppliers.

1. Company shall designate all Non-Proprietary Products that Franchisee may, or must, use, offer, sell or promote in operating the Franchised Restaurant. If any Non-Proprietary Products constitute inventory sold to the public, or ingredients or raw materials used to prepare foods or beverages sold to the public, Franchisee shall maintain sufficient quantities of the Non-Proprietary Products in stock at the Authorized Location in order to meet reasonably anticipated consumer demand.

2. Franchisee may purchase or lease Non-Proprietary Products from any supplier of Franchisee's choosing capable of meeting Company's then-current specifications and quality standards and doing business in compliance with Applicable Laws.

3. All changes in the specifications for Non-Proprietary Products shall be communicated to Franchisee by written supplements to the Manual or otherwise in writing. Specification changes to Non-Proprietary Products may include replacing a Non-Proprietary Product with a Proprietary Product that performs or satisfies the same or similar function or purpose. Franchisee shall not place a new order for any Non-Proprietary Products with a supplier after receiving written notice of changes in the Non-Proprietary Products' specifications.

4. If Franchisee desires to offer for sale or use at the Franchised Restaurant any item that does not, at that time, meet Company's specifications for Non-Proprietary Products, Franchisee shall submit a written request to Company identifying the proposed item together with samples of the item for examination and/or testing so that Company may evaluate if the item meets its specifications and quality standards. Company reserves the right to impose a testing fee not to exceed $250 per alternative product to cover its direct costs to approve the proposed alternative product. Franchisee's payment of the testing fee shall be a condition to obtaining approval to offer for sale, or use, an item not previously approved by Company.

a. Company will notify Franchisee in writing within 30 days after all requested information is received, and required testing fee is paid, and inspection or testing is completed if it approves the proposed item. Company's failure to timely respond shall constitute its disapproval.

b. At any time, Company may revoke its approval of an item if Company, in its sole discretion, determines that doing so is in the best interests of Company or the Phở Hòa® System. Revocation shall be effective immediately upon written notice or by the date specified in Company's written notice; provided, however, that to the extent any Non-Proprietary Products that are revoked constitute inventory sold to the public, Company shall allow Franchisee a reasonable time to deplete its existing inventory, not to exceed 60 days. Following receipt of Company's written revocation notice, Franchisee shall not place any new orders for the particular Non-Proprietary Product that is the subject of the revocation notice.

5. Franchisee understands and agrees that Company may recommend suppliers of Non-Proprietary Products, but its recommendation does not constitute a representation or warranty of the supplier's ability to meet Franchisee's purchasing requirements nor of the fitness or merchantability of the Non-Proprietary Products sold by the supplier. Franchisee understands and agrees that its sole remedy in the event of any shortages, delays or defects in the Non-Proprietary Products purchased from a supplier that Company recommends shall be against the manufacturer or supplier of the Non-Proprietary Products, not against Company or Company's Affiliates.

D. Changes Due to Improvements in Technology or Changes in the Phở Hòa® System. Franchisee understands that changes that Company may make to the list of Proprietary Products, to recipes for mandatory menu items, or to any other mandatory aspect of the Phở Hòa® System, including, without limitation, the use of certain equipment or computer software, may require Franchisee to make significant capital expenditures during the Term in amounts that Company cannot forecast. Franchisee understands and agrees that Company has no ability to identify with specificity the nature of these future changes or their expected cost, but accepts the risk that changes will be imposed and agrees to adopt all changes in Company's specifications for mandatory components of the Phở Hòa® System at its sole expense.

E. Standards of Service.

1. Franchisee shall (i) offer for sale, and sell, only the specific foods, beverages and merchandise designated by Company; (ii) label and identify all items offered for sale by the specific name designation given to them by Company; (iii) use only the equipment, supplies, utensils, materials, signs, menus and delivery systems prescribed by Company which shall conform to Company's current specifications and standards; (iv) adhere to Company's instructions for storing, handling, preparing, serving and delivering foods and beverages, including, without limitation, Company's recipes and specifications for weight, dimensions and other characteristics of consumable products, Company's requirements for food safety, and Company's specifications for reproducing the Proprietary Marks on containers, napkins and packaging; (v) adhere to Company's instructions regarding signs, lighting and security; and (vi) operate the Franchised Restaurant in accordance with Company's inventory, restocking and customer service standards. All specifications shall be set forth in the Manual or otherwise communicated to Franchisee and may be revised by Company as frequently as Company deems necessary in its sole discretion to promote the Phở Hòa® System and respond to competitive and marketplace changes.

2. Franchisee understands that it must purchase its menus from Company on an as-needed basis at the then-current prices published in the Manual, but will set the prices for all menu items. Franchisee understands and agrees that Company's authorized menu and menu formats may include, in Company's sole discretion, requirements concerning organization, graphics, product descriptions, illustrations and other design and content features; Company may vary the menu, menu format, descriptions and other designations depending on market size, geographic region, store size and other factors in Company's sole discretion; and Company may implement changes in the menu and menu formats and authorize tests and special promotions of new foods, beverages, Proprietary Products, Non-Proprietary Products, equipment and other merchandise at selected Phở Hòa® Restaurants or within selected geographic regions, all in Company's sole discretion.

3. Franchisee shall, at its sole expense, conform to all changes implemented by Company immediately upon written notice from Company unless Company's written notice specifies a later implementation date. Franchisee shall not offer for sale or sell any other kind of products, merchandise or services, or otherwise deviate from Company's current operating standards or specifications for services, products or merchandise, except with Company's prior written consent.

4. All foods and beverages sold by Franchisee shall be of the highest quality and sold only in containers and with packaging and other materials approved by Company. Franchisee shall, upon request from Company, dispose of any and all food items that Company

determines, in its sole discretion, should be discarded, including, but not limited to, items that are un-servable, outdated, discolored, or were stored at unsafe temperatures.

5. Franchisee may engage in delivery services to locations in the Territory by selecting an approved third-party delivery service provider that Company identifies in the Manual. Franchisee may not engage in delivery services to locations outside of the Territory or use any other delivery service provider without Company's prior written approval. If Company agrees to permit Franchisee to offer delivery services to locations outside of the Territory, Company may determine the boundaries of the delivery area. Company makes no representation that the delivery area outside of Franchisee's Territory that Company may assign to Franchisee will be as large as the delivery area that Company assigns to other franchisees.

6. Franchisee shall not install or maintain on the Authorized Location any newspaper racks, pay-to-play video games, juke boxes, other gaming machines, vending machines, ATM machines, rides or other similar devices except with Company's prior written approval.

7. Franchisee shall not display any "for-sale" signs or other words indicating or implying that the Franchised Restaurant is for sale or that Franchisee is seeking or desires any form or type of event of transfer as described in this Agreement.

8. Company may, from time to time, authorize Franchisee to test market specific menu items, recipes, products, services or promotional programs. Franchisee shall cooperate in test marketing programs and shall comply with Company's rules and regulations established in connection therewith, without reimbursement or compensation of any kind.

9. Franchisee shall pay its trade debts to suppliers and other vendors and lenders in a timely manner. Franchisee understands and agrees that its failure to do so could materially harm the reputation of the Phở Hòa® Marks and the ability of Company and other franchisees to obtain the same favorable purchase, lease or finance terms. If Franchisee has a bona fide dispute with any supplier or vendor that Franchisee believes justifies non-payment or partial payment, Franchisee must promptly notify the supplier or vendor of the particulars of its claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt that remains unpaid for more than 30 days after the date it is due shall constitute a breach of this Agreement unless, before the end of the 30-day period (i) Franchisee and the supplier or vendor agree to alternative payment terms; or (ii) Franchisee initiates appropriate legal action to contest the trade debt.

F. Network and POS System. Franchisee shall use and maintain the network system and point-of-sale computer and cash collection system specified in the PH Manual or otherwise by Company in writing, which Company may update at any time, at Franchisee's sole expense. Franchisee may not modify the requirements or functionality of the network system or the point-of-sale computer and cash collection system or instruct any third party to modify them on Franchisee's behalf, and doing or attempting to do so shall be a breach of this Agreement. Franchisee shall maintain an electronic data exchange service designated by Company to enable Company to remotely retrieve sales, inventory and other operating data at any time as frequently as Company deems necessary. Franchisee may not disable or take any action that prevents Company from having remote access to this data.

G. Authorized Location and Tangible Property.

1. Franchisee shall, at its own expense, maintain the condition and appearance of the Authorized Location and all tangible property used to operate the Franchised Restaurant in the highest degree of cleanliness, orderliness and repair, consistent with the standards, specifications and requirements of the Phở Hòa® System and as Company may from time to time direct. Franchisee shall promptly replace any tangible property used to operate the Franchised Restaurant that becomes worn, damaged and non-repairable, or mechanically impaired to the extent that it no longer adequately performs the function for which it was originally intended. All replacement items shall be of the same type, model and quality then specified in the Manual at the time replacement is required.

2. Franchisee understands and agrees that its failure to repair or maintain the Authorized Location and the tangible property of the Franchised Restaurant in accordance with Company's standards shall constitute a breach of this Agreement. Without waiving its right to terminate this Agreement for such reason, Company may notify Franchisee in writing specifying the action to be taken by Franchisee to correct the deficiency. If Franchisee fails or refuses to initiate a bona fide program to complete any required repair, maintenance or corrective work within 30 days after receiving Company's written notice, Company shall have the right, in addition to all other remedies, to enter the Authorized Location and complete the required repair, maintenance or corrective work on Franchisee's behalf. Company shall have no liability to Franchisee for any work performed. To the extent Company elects to perform required repair, maintenance or corrective work, or to replace non-conforming property with conforming property, Franchisee shall be invoiced for labor and materials, plus a 25% service charge and an amount sufficient to reimburse Company for Company's actual direct costs to supervise, perform and inspect the work and procure any replacement items, including, without limitation, labor, materials, transportation, lodging, meals, contractor fees and other direct expenses, all of which shall be due and payable upon receipt of the invoice.

3. Franchisee shall not alter or modify the Authorized Location or any of the tangible property used to operate the Franchised Restaurant in a manner contrary to Company's then-current standards.

4. In addition to maintaining the Authorized Location and tangible property in continuous good condition and repair in accordance with this Agreement, Franchisee shall, at its sole expense, periodically make reasonable capital expenditures to remodel, modernize and redecorate the Authorized Location so that the Franchised Restaurant at all times reflects the then-current image of the Phở Hòa® System. All remodeling, modernization or redecoration of the Authorized Location must be done in accordance with the standards and specifications that Company prescribes, subject to Company's right to modify those standards and specifications in its sole discretion.

H. Compliance with Laws. Franchisee shall at all times operate the Franchised Restaurant in strict compliance with all Applicable Laws. Franchisee shall secure and maintain in good standing, at its own expense, all necessary licenses, permits, deposits and certificates required to operate the Franchised Restaurant lawfully and shall provide Company with proof of compliance promptly following Company's request.

I. Credit Cards; Gift Cards, Loyalty Cards and Other System-Wide Marketing Programs.

1. Franchisee shall honor all credit cards designated by Company and enter into and maintain, at Franchisee's sole expense, all necessary credit card agreements with the issuers of designated cards.

2. Franchisee shall participate in, and abide by, the rules of all loyalty and gift card programs described in the Manual, as Company may revise these programs from time to time. Franchisee understands that Company may set up the loyalty and gift card program so that consumers may redeem the gift card at Stand-Alone Jazen Tea® Shops, Co-Branded Phở Hòa® Restaurants, or Stand-Alone Phở Hòa® Restaurants.

3. If Company is the exclusive seller of gift cards, Franchisee agrees to pay Company a 6% Gift Card Program Administrative Fee on the face value of gift cards that Franchisee buys from Company, which fee shall be all added to the transaction cost and paid at the time Franchisees buys gift cards from Company. Instead of selling gift cards, Company may designate a third-party vendor that will sell and administer the gift card program. In this case, Franchisee shall pay the third party's administrative fees, if any, in addition to the face amount of the gift cards that Franchisee purchases from the third party and understands that Company may derive revenue on account of Franchisee's gift card purchases from the designated third-party vendor.

4. Franchisee shall pay Company a Loyalty Card Administrative Fee of $135 per month, due and payable together with Royalty Fees, which Company may increase by up to 10% per year on January 1 of each year during the Term over the prior year's rate.

5. Franchisee may not issue, redeem or otherwise authorize any other type of loyalty or gift card except for the specific loyalty or gift cards that Company designates.

6. Franchisee shall additionally participate in system-wide marketing programs identified by Company, including, without limitation, customer and marketing surveys, direct marketing programs and designated e-commerce programs; provided, however, nothing herein shall limit Franchisee's right to establish the resale price of products and services offered for sale at the Franchised Restaurant.

J. Complaints, Incident Reports and Other Actions. Franchisee shall promptly report to Company any incidents involving personal injury by customers of the Franchised Restaurant sustained at the Authorized Location. Franchisee shall submit to Company promptly upon receipt copies of all customer complaints and notices and communications received from any government agency relating to alleged violations of Applicable Laws and hereby authorizes the government agency to provide the same information directly to Company upon Company's request. Additionally, Franchisee shall promptly notify Company of any written threat, or the actual commencement, of any action, suit or proceeding against Franchisee or the Franchised Restaurant or involving the Authorized Location or the business assets that might adversely affect the operation or financial condition of the Franchised Restaurant, and provide Company with a copy of all relevant documents.

K. Hours of Operation. Franchisee shall operate the Franchised Restaurant on all of the days and during the hours prescribed in the Manual, unless Company's prior written approval of different days or hours is obtained or unless prohibited by the Lease. Before the

Opening Date, Franchisee shall advise Company of the Franchised Restaurant's operating hours and promptly notify Company of any changes in its operating hours required by the Lease. Franchisee shall prominently disclose its operating hours to the public in the manner required by the Manual, and shall be open and fully prepared to conduct business during all posted operating hours.

L. Employees.

1. Franchisee shall employ or retain the services of a sufficient number of competent employees and cause each of them to receive appropriate training to perform their job in accordance with the standards and specifications of the Phở Hòa® System. All employees whose duties include customer service shall have sufficient literacy and fluency in the English language, in Company's judgment, to adequately serve the public. All employees, while working in the Franchised Restaurant, shall present a neat and clean appearance and wear the uniforms that Company designates for their jobs, in the color, style and design then specified by Company.

2. Employees of Franchisee or the Franchised Restaurant shall not in any way be deemed employees of Company and shall be under the exclusive direction and control of Franchisee. Franchisee is solely responsible for hiring, firing and establishing employment policies applicable to its employees, and understands and agrees that this Agreement does not impose any controls, or otherwise impinge, on Franchisee's sole discretion with respect to the forgoing subject matters. All employment related documents, including employment applications, schedules, job descriptions, and payroll documents, must clearly identify Franchisee, and not Company, as the employer.

3. The Franchised Restaurant shall at all times be under the direct, personal supervision of one or more Certified Managers at all times during the Term. Due to the possibility of personnel turn-over and to avoid being in breach of this Agreement in case of personnel changes, Company recommends that Franchisee employ at least 2 management-level supervisors at any time who each qualify as a Certified Manager. Franchisee shall be responsible for the acts and omissions of its employees and agents, including, without limitation, its Certified Managers.

XIV. COMPANY'S OPERATIONS ASSISTANCE

In addition to obligations stated elsewhere in this Agreement, and provided Franchisee is not in default under the terms of this Agreement, Company shall provide the following services:

A. Continuing Consultation and Advice. As and to the extent required in Company's judgment, Company shall provide:

1. Regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Company's attention. Company shall have sole discretion to determine the method for communicating the consultation or advice, which may differ from the methods used for other Phở Hòa® franchisees. For example, and without limitation, consultation and advice may be provided by telephone, in writing (in which case Company shall determine the method for delivering such writing (i.e., facsimile or mail)), electronically, in person, or by other means.

2. Upon Franchisee's request, Company may agree to provide on-site training and assistance at a mutually-scheduled time, provided Franchisee pays Company its then-current per diem fee set forth in the Manual, plus reimbursement of Company's reasonable expenses in providing on-site instruction, including, without limitation, expenses for air and ground transportation, lodging, meals, and personal charges.

B. Inspections. In addition to Company's audit rights described in this Agreement, Franchisee expressly authorizes Company and its representatives, at any reasonable time, and without prior notice to Franchisee, to enter the premises of the Authorized Location and conduct regular inspections of the Franchised Restaurant and Franchisee's methods of operation, including, without limitation, food preparation, storage and handling, observing and conducting discussions with Franchisee's employees, customer interaction, and reviewing Franchisee's books and records (including, without limitation, data stored on Franchisee's computer hard drive and disks) in order to verify compliance with this Agreement and the Manual. Company and its representatives reserve the right to select or request that Franchisee provide them, free of charge, with inventory, equipment, advertising and other samples for inspection and evaluation purposes to make certain that the items conform with Company's then-current standards. Franchisee shall cooperate fully with Company's inspections and promptly cure all deviations from Company's standards, specifications and operating procedures of which Franchisee is notified either orally or in writing. Franchisee, on behalf of itself and, as applicable, its directors, officers, managers, employees, consultants, representatives and agents, hereby waives any claim that Company's inspections or recordings violate any person's rights of privacy.

C. Continuing Training. Company may periodically conduct continuing training programs to address recently-implemented changes in the Phở Hòa® System and other topics of common interest to franchisees, including, without limitation, changes in Proprietary Products and Non-Proprietary Products, industry trends, customer relations, personnel administration, local advertising and promotional strategies, and competitive changes. If Company chooses to provide continuing training classes, Company will establish the content, location and length of such programs. Company may require the attendance of Franchisee's Certified Manager or other designated personnel at particular continuing training classes, provided, however, Company shall not require that more than 2 persons designated by Company complete more than 3 days of continuing training during any 24-month period.

XV. INSURANCE

A. Minimum Coverage. Before the Opening Date, Franchisee shall procure, at its own expense, and maintain in full force and effect during the Term policies of insurance in accordance with the following terms and conditions:

1. Comprehensive general liability insurance, product liability, motor vehicle liability, bodily and personal injury/death, and property damage liability with minimum liability coverage of $1,000,000.00 per occurrence and $2,000,000 aggregate, combined single limit (including broad form contractual liability), or the higher amount required by the Lease, insuring Company and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or otherwise relating to the Franchised Restaurant or the activities of Franchisee's employees. The required liability coverage shall not be limited in any way by reason of any insurance that Company maintains. Company shall be named an additional insured on each liability policy.

2. Workers' compensation and employer's liability insurance, together with any other insurance at the minimum limits required by law or $500,000 per accident, $500,000 per disease, and $500,000 policy limit, whichever is higher.

3. All "Risks" or "Special" form general casualty insurance coverage insurance, including, without limitation, fire and extended coverage, vandalism and malicious mischief insurance, for any vehicle that Franchisee uses in operating the Franchised Restaurant and for additional perils (including, without limitation, flood and earthquake coverage) if applicable to the area where the Franchised Restaurant is located, for the full replacement value of the Franchised Restaurant and its contents based on the cost of replacing the damaged or destroyed property with property meeting Company's current specifications at the time replacement is required. The minimum coverage shall be no less than the amount specified in the Manual on the Effective Date.

4. Any person that Franchisee hires as a general contractor or to perform comparable services at the Authorized Location must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and workers' compensation insurance in the minimum amount of $1,000,000 plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.

5. Additional types and amounts of insurance coverage as may be required by the Lease, including coverage for all parties that the Lease requires be covered as additional insureds.

B. Additional Insurance Specifications.

1. Company shall specify the deductible limits for each required insurance policy and may, from time to time, increase the minimum insurance requirements, establish and change deductible limits, require that Franchisee procure and maintain additional forms of insurance, and otherwise modify the insurance requirements contained in this Agreement based upon inflation, general industry standards, Company's experience with claims, or for other commercially reasonable reasons. Franchisee shall comply with any change imposed by Company within 30 days after written notice from Company and shall submit written proof of compliance to Company upon request.

2. Each insurance policy required by this Agreement shall be written by insurance companies of recognized responsibility meeting the standards stated in the Manual. Before the Opening Date, or the earlier date specified in the Lease, and then not less than annually thereafter on or before January 1 of each Calendar Year after the Opening Date, Franchisee shall submit to Company certificates of insurance showing compliance with Company's insurance requirements. Franchisee shall not begin any work or installation of equipment in the Authorized Location pursuant to Franchisee's Design Plans until Franchisee submits proof of its general contractor's insurance required by this Agreement. All certificates of insurance shall state that the policy will not be canceled or altered without at least 30 days prior written notice to Company. Maintenance of required insurance shall not relieve Franchisee of liability under the indemnity provisions set forth in this Agreement.

3. Company and any Affiliates that Company designates shall each be named as an additional insured on all required insurance.

4. Franchisee shall cause each policy of insurance required by this Agreement to include a waiver of subrogation, which shall provide that Franchisee, on the one hand, and Company and its Affiliates, on the other hand, each releases and relieves the other, and each waives its entire right to recover damages, in contract, tort and otherwise, against the other for any loss or damage occurring to Franchisee's property arising out of or resulting from any of the perils required to be insured against under this Agreement. The effect of these releases and waivers shall not be limited by the amount of insurance carried by Franchisee or as otherwise required by this Agreement or by any deductible applicable thereto.

5. Should Franchisee not procure or maintain the insurance required by this Agreement, Company may, without waiving its right to declare a breach of this Agreement based on the default, procure the required insurance coverage at Franchisee's expense, although Company has no obligation to do so. Franchisee shall pay Company an amount equal to the premiums and related costs for the required insurance in full upon receipt of invoice, plus a 25% service charge and an amount sufficient to reimburse Company for its actual direct costs in obtaining the required insurance.

6. Franchisee understands and agrees that the minimum insurance requirements set forth in this Agreement do not constitute a representation or warranty by Company that the minimum coverage and specified types of insurance will be sufficient for the Franchised Restaurant. Franchisee understands and agrees that it is solely responsible for determining if the Franchised Restaurant requires higher coverage limits or other types of insurance protection.

XVI. COVENANTS REGARDING OTHER BUSINESSES' INTERESTS

A. Competition.

1. During the Term and any Renewal Term, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates or any Covered Person, directly or indirectly, to own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere in the world; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person after 2 years from the date the Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

2. For 2 years after the Effective Date of Termination or Expiration of this Agreement (as defined in this Agreement) for any reason, or an event of transfer as defined in this Agreement, whichever occurs first, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates or any Covered Person, directly or indirectly, to own, engage in or render any services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere within the Covered Area; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person for longer than 2 years from the date that the Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

3. The restrictions against competition do not apply to the rights expressly granted to Franchisee, Franchisee's Affiliates or any Covered Person under another Franchise

Agreement pertaining to the use of the Phở Hòa® System or Phở Hòa® Marks that continues in full force and effect.

4. This Agreement does not prohibit Franchisee, Franchisee's Affiliates or any Covered Person from owning 5% or less of the voting stock of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

5. Franchisee acknowledges that the restrictions set forth in this Section are reasonable and necessary to protect Company's legitimate business interests, which include preventing Franchisee, Franchisee's Affiliates, and Covered Persons from using Company's Confidential Information to engage in activities that directly or indirectly benefit a Competitive Business.

B. Interference. Neither Franchisee nor any Covered Person shall, directly or indirectly, for itself or on behalf of any other person divert, or attempt to divert, any business or customer of the Franchised Restaurant to any competitor by direct or indirect inducement or perform any act that directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Phở Hòa® Marks or the Phở Hòa® System.

C. Written Agreement. As a condition of this Agreement, unless they have already done so, Franchisee shall cause each Covered Person to execute Company's form of Confidentiality, Non-Disclosure and Non-Competition Agreement with Company containing restrictions substantively identical to the provisions of this Agreement.

D. Survival. The covenants stated in this Article shall survive termination, expiration or the transfer of this Agreement.

E. Savings Clause. The parties acknowledge that the covenants set forth in this Article are independent of the other covenants and provisions of this Agreement. If any provision in this Article is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of the state in which the Authorized Location is located (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the subjects covered in this Article, but only with respect to those subjects. Franchisee expressly authorizes Company to conform the scope of any void or unenforceable covenant in order to conform it to the Local Laws. Franchisee expressly agrees, on behalf of itself and each Covered Person, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

F. Enforcement. Franchisee understands and agrees that Company will suffer irreparable injury not capable of precise measurement in money damages if Franchisee or any Covered Person breaches the covenants set forth in this Article. Accordingly, in the event a breach occurs, Franchisee, on behalf of itself and each Covered Person, hereby consents to the issuance or entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief that may be granted by a court having proper jurisdiction, without the requirement that Company post bond or comparable security. Franchisee further agrees that (i) the award of injunctive relief or other equitable remedies to Company for such a breach is reasonable and necessary for the protection of the business and goodwill of Company; and (ii) Company's recovery of damages is not an adequate remedy if Franchisee or any Covered Person breaches the covenants set forth in this Article.

XVII. DEFAULT AND TERMINATION

A. Termination by Franchisee.

1. Franchisee may terminate this Agreement by written notice to Company for any reason before signing the Lease and Addendum to Lease. Thereafter, Franchisee may terminate this Agreement by written notice to Company for any reason constituting good cause, provided (i) Franchisee is not in default of any obligation under this Agreement when it serves written notice of default on Company, and (ii) termination is accomplished in accordance with the requirements of this Agreement. "Good cause" means that Company has committed a material and substantial breach of this Agreement that it has not cured within the period allowed by this Agreement. When Franchisee's termination is based on good cause, Franchisee's written notice of termination must specify with particularity the matters cited to be in default and provide Company with a minimum of 30 days in which to cure the default. Additional time to cure must be provided as is reasonable under the circumstances if a default cannot reasonably be cured within the minimum 30-day period.

2. Any attempt by Franchisee to terminate this Agreement except on the grounds, or according to the procedures, stated in this Agreement shall be void.

3. Except as otherwise expressly provided in this Agreement, Franchisee's termination of this Agreement shall not entitle it to a refund of any monies that Franchisee has paid to Company or Company's Affiliates.

B. Termination by Company Without Opportunity to Cure. Company may terminate this Agreement, in its sole discretion and election, effective immediately upon Company's delivery of written notice of termination to Franchisee based upon the occurrence of any of the following events, which shall be specified in Company's written notice, and Franchisee shall have no opportunity to cure a termination based on any of the following events:

1. Should Franchisee fail or refuse to pay, on or before the date payment is due, any fees or other amounts payable to Company or the Marketing Fund, if Company creates one, and should the default continue for a period of 10 days after written notice of default is given by Company to Franchisee;

2. Should Franchisee fail or refuse to submit any report or financial statement on or before the date due, and should the default continue for a period of 10 days after written notice of default is given by Company to Franchisee;

3. Should Franchisee lose the right to possession of the Authorized Location due to Franchisee's breach of the Lease that either cannot be cured or that Franchisee has failed to cure within the allowed time period;

4. Should Franchisee commit an event of default under any other agreement by and between Franchisee and Company pertaining to the Franchised Restaurant and franchise granted by this Agreement that, by its terms, cannot be cured or that Franchisee fails to cure within the allowed time period;

5. Should Franchisee make any general arrangement or assignment for the benefit of creditors or become a debtor as that term is defined in 11 U.S.C. §1101 or any successor statute, unless, in the case where a petition is filed against Franchisee, Franchisee

obtains an order dismissing the proceeding within 60 days after the petition is filed; or should a trustee or receiver be appointed to take possession of all, or substantially all, of the assets of the Franchised Restaurant, unless possession of the assets is restored to Franchisee within 30 days following the appointment; or should all, or substantially all, of the assets of the Franchised Restaurant or the franchise rights be subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within 30 days following issuance;

6. Should Franchisee, or any duly authorized representative of Franchisee, make a material misrepresentation or omission in obtaining the franchise rights granted hereunder, or should Franchisee, or any officer, director, shareholder, member, manager, or general partner of Franchisee, be convicted of or plead no contest to a felony charge or engage in any conduct or practice that, in Company's reasonable opinion, reflects unfavorably upon or is detrimental or harmful to the good name, goodwill or reputation of Company or to the business, reputation or goodwill of the Phở Hòa® System or the Phở Hòa® Marks;

7. Should Franchisee fail to comply with the conditions governing the transfer of rights under this Agreement;

8. Should an order be made or resolution passed for the winding-up or the liquidation of Franchisee (if Franchisee is a Business Entity) or should Franchisee adopt or take any action for its dissolution or liquidation;

9. Should Franchisee have received from Company, during any consecutive 24 month period, 3 or more notices of default (whether or not the notices relate to the same or to different defaults and whether or not the defaults were timely cured by Franchisee);

10. Should Franchisee make any unauthorized use, publication, duplication or disclosure of any Confidential Information or any portion of the Manual, or should any person required by this Agreement to execute a Confidentiality, Non-Disclosure and Non-Competition Agreement with Company or Franchisee breach the Confidentiality, Non-Disclosure and Non-Competition Agreement;

11. Should Franchisee abandon or fail or refuse to actively operate the Franchised Restaurant for any period such that Company may reasonably conclude that Franchisee does not intend to continue operating it, unless Franchisee obtains Company's written consent to close the Franchised Restaurant for a specified period of time before Franchisee ceases regular activities;

12. Should Franchisee materially misuse or make an unauthorized use of any of the Phở Hòa® Marks or commit any other act that does, or can reasonably be expected to, materially impair the goodwill or reputation associated with any of the Phở Hòa® Marks or the Phở Hòa® System;

13. Should Franchisee fail to comply with any violation of federal, state or local law within 10 days after being notified of non-compliance; or

14. Should Franchisee intentionally underreport Gross Sales under the criteria established in this Agreement.

C. Termination by Company With Right to Cure.

1. Should Franchisee breach, or refuse to fulfill or perform, any obligation arising under this Agreement not identified in Section XVII.B above, or fail or refuse to adhere to any mandatory operating procedure, specification or standard prescribed by Company in the Manual or otherwise communicated to Franchisee, Company may terminate this Agreement, in its sole discretion and election, effective at the close of business 30 days after giving written notice of default to Franchisee which specifies the grounds of default, if Franchisee fails to cure the default cited in the notice. Company may indicate its decision to terminate by written notice given to Franchisee any time before, or after, the end of the 30-day cure period.

2. If a default cannot reasonably be cured within 30 days, Franchisee may apply to Company for additional time to complete the cure. The length of the additional cure period, if any, allowed by Company shall be stated in writing signed by Company. If Company grants an extension and if Franchisee does not complete the required cure within the extended cure period, termination of this Agreement shall be effective at the close of business on the last day of the extended cure period without further notice from Company.

D. Effect of Termination or Expiration.

1. Termination or expiration of this Agreement shall result in the concurrent, and automatic, termination of all agreements between the parties pertaining to the Franchised Restaurant or the franchise granted by this Agreement and shall also permit Company to enforce any Personal Guaranty of Franchisee's obligations given to Company as required by this Agreement.

2. Notwithstanding the termination of this Agreement, the parties agree that any other Franchise Agreements then in effect between the parties concerning other Phở Hòa® Restaurants owned by Franchisee shall remain in full force and effect, unless the grounds that Company has relied upon to terminate this Agreement also constitute grounds for terminating the other Franchise Agreements and Company has satisfied all requirements to terminate the other Franchise Agreements.

3. In any proceeding in which the validity of termination of this Agreement is at issue, Company shall not be limited to the reasons set forth in any notice of termination or default given to Franchisee.

E. Effective Date of Termination or Expiration of this Agreement. For purposes of this Agreement, (i) the "Effective Date of Termination" is: (x) the date on which Franchisee receives written notice of termination based on an event of default that this Agreement identifies as not being curable, or (y) the last day of the applicable cure period based on an event of default for which this Agreement grants Franchisee the right to cure; and (ii) the "Effective Date of Expiration" of this Agreement is the last day of the Term.

XVIII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

A. Franchisee's Obligations. On and after the Effective Date of Termination or Expiration of this Agreement, Franchisee must comply with the following duties:

1. Within 10 days following the Effective Date of Termination or Expiration of this Agreement, Franchisee shall pay all fees and other amounts owed to Company, including, without limitation, late charges on any late payments.

a. Royalty Fees and Marketing Fees imposed pursuant to this Agreement shall continue to be due and payable (and the Administrative Default Fee and late charges shall continue to be assessed) after the Effective Date of Termination or Expiration of this Agreement until the date that Franchisee completes all post-termination obligations required by this Agreement.

b. When termination is based upon Franchisee's default, Franchisee shall also pay to Company all damages, costs and expenses, and reasonable attorneys' fees, incurred by Company in enforcing the default and termination.

c. Franchisee's payments shall be accompanied by all reports required by Company regarding business transactions and the results of operations through the Effective Date of Termination or Expiration of this Agreement or until the date that Franchisee completes all post-termination or expiration obligations required by this Agreement, whichever occurs later.

2. Franchisee shall immediately cease using and, within 48 hours after the Effective Date of Termination or Expiration of this Agreement, deliver to Company the Manual and all other confidential or proprietary materials that Company has provided to Franchisee pursuant to this Agreement, including, without limitation, any proprietary software, and shall retain no copy or record of any of the foregoing. Franchisee shall immediately stop selling and using any Proprietary Products and shall resell its inventory of Proprietary Products in useable or salable condition to Company at Franchisee's actual cost. Franchisee shall disable or remove any proprietary software from its computers and retain no copy or record of the same.

3. With respect to the Authorized Location, Company may, pursuant to the Addendum to Lease, accept an assignment of the Lease, in which case, upon written notice from Company, Franchisee shall forthwith vacate the Authorized Location, leaving it in good condition and repair with all fixtures and equipment not capable of being removed without damage to the Authorized Location, or which the Lease forbids to be removed, left in good working order. Company shall give Franchisee written notice of its election to accept an assignment of the Lease within 10 days after the Effective Date of Termination or Expiration. Company's failure to timely notify Franchisee shall signify its decision not to accept an assignment of the Lease. If Company does not accept an assignment of the Lease, Franchisee shall, at its sole cost and expense, within 30 days after the Effective Date of Termination or Expiration, remove all signs and other physical and structural features that readily identify the site as a Phở Hòa® Restaurant, in a manner acceptable to Company, so that the former Authorized Location no longer suggests or indicates a connection with the Phở Hòa® System.

4. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company and its officers, directors, shareholders, employees and agents.

5. Franchisee shall permanently cease using, in any manner whatsoever, the Phở Hòa® Marks and Confidential Information, and any other property identified by the Phở Hòa® Marks or associated with the Phở Hòa® System that suggests or indicates that Franchisee is, or was, an authorized Phở Hòa® franchisee or continues to remain associated

with the Phở Hòa® System. Franchisee shall cancel all advertising and promotional activities that associate Franchisee with the Phở Hòa® System. Continued use by Franchisee of any of the foregoing items shall constitute willful trademark infringement and unfair competition by Franchisee.

6. Franchisee shall take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to its use of the Phở Hòa® Marks.

7. Franchisee shall cease using all telephone and facsimile numbers and listings used in operating the Franchised Restaurant and take all steps necessary to remove all telephone and other business directory listings that display any of the Phở Hòa® Marks. Franchisee shall furnish Company with evidence satisfactory to Company demonstrating Franchisee's compliance with this obligation within 10 days after the Effective Date of Termination or Expiration of this Agreement. Company shall have the right to demand an assignment of the telephone and facsimile numbers and listings, in which case Franchisee hereby consents to the assignment, without compensation, as of the Effective Date of Termination or Expiration.

8. Franchisee shall comply, and cause all Covered Persons to comply, with the covenants set forth in this Agreement regarding competition, non-interference and Confidential Information.

9. Franchisee shall keep and maintain all business records pertaining to the business conducted at the Franchised Restaurant for 7 years after the Effective Date of Termination or Expiration of this Agreement. During this period, Franchisee shall permit Company to inspect such business records as frequently as Company deems necessary.

B. Company's Right to Purchase Physical Assets.

1. Company shall have the right, but not the obligation, to purchase all, or any, of Franchisee's physical assets relating to the Franchised Restaurant that are not considered to be fixtures of the Authorized Location and part of the realty, at Franchisee's original cost less depreciation, based upon the depreciation schedule that Company or Company's Affiliates use for like or comparable property, less the remaining balance, if any, of any financing that Franchisee owes to third parties for which the physical asset is pledged as security. Company may exercise this option by giving Franchisee written notice within 10 days after the Effective Date of Termination or Expiration of this Agreement, specifying in the notice the specific physical assets that it desires to purchase. Within 10 days following receipt of Company's written notice, Franchisee shall furnish Company with documentation substantiating the original cost of each item identified by Company and depreciation taken as reported by Franchisee in its federal and state income tax returns. Within 10 days following receipt of Franchisee's documentation, Company shall notify Franchisee of the particular assets it will purchase and calculate the purchase price for the items in accordance with this paragraph, and within 5 days after giving the notice, Company will pay Franchisee the purchase price, less permitted set-offs. Company's failure to serve written notice of its election within 10 days after the Effective Date of Termination or Expiration of this Agreement shall signify its decision not to purchase any remaining physical assets of Franchisee.

2. With respect to the physical assets that Company purchases, Company shall have the absolute right to set off from the purchase price all sums then owed by Franchisee to Company, including damages, costs and expenses and reasonable attorneys'

fees in enforcing the default and termination, and under Applicable Laws, as well as all amounts then due and owing to the Marketing Fund, if any, and to Company's Affiliates. For the sake of clarity, Company may reduce the purchase price by the amount of any Liquidated Damages that may be payable by Franchisee to Company pursuant to this Agreement. The right to set off shall not limit Company's remedies under this Agreement or Applicable Law.

3. Franchisee shall deliver possession of the physical assets purchased by Company upon Company's payment of the net purchase price.

C. Survival of Obligations.

1. All obligations of the parties that expressly, or by their nature, survive the Effective Date of Termination or Expiration of this Agreement shall continue in full force and effect subsequent to the Effective Date of Termination or Expiration of this Agreement until they are satisfied in full.

2. Franchisee shall remain fully liable for any and all obligations of the Franchised Restaurant, whether incurred before, or after, the Effective Date of Termination or Expiration of this Agreement, including, without limitation, obligations arising under this Agreement, the Lease, and all obligations owed to Company's Affiliates and other third parties for equipment, supplies, inventory, materials, salaries to employees, payments to independent contractors and taxes.

D. Third-Party Rights; Available Remedies.

1. No person acting for the benefit of Franchisee's creditors or any receiver, trustee in bankruptcy, sheriff or any other officer of a court or other person in possession of Franchisee's assets or business shall have the right to assume Franchisee's obligations under this Agreement without Company's prior consent.

2. Company's right to terminate this Agreement shall not be its exclusive remedy in the event of Franchisee's default, and Company shall be entitled, in its sole discretion and election, alternatively or cumulatively, to affirm this Agreement in the event of Franchisee's default and obtain damages arising from the default, injunctive relief to compel Franchisee to perform its obligations under this Agreement or to prevent Franchisee from breaching this Agreement, and any other remedy available under Applicable Laws.

XIX. ASSIGNMENT AND TRANSFER

A. Assignment by Company. Franchisee represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Company in that capacity. Company is free to transfer and assign all of its rights under this Agreement to any person or Business Entity, provided the assignee agrees in writing to assume Company's obligations. Upon such assignment and assumption, Company shall have no further obligation to Franchisee.

B. Delegation of Duties. In addition to Company's right to assign this Agreement, Company has the absolute right to delegate performance of any portion or all of its obligations under this Agreement to any third-party designee of its own choosing, whether the designee is Company's Affiliate, agent or independent contractor. In the event of a delegation of duties, the third-party designee will perform the delegated functions in compliance with this Agreement.

When Company delegates its duties to a third party (in contrast to when Company transfers and assigns all of its rights under this Agreement to a third party that assumes Company's obligations), Company will remain responsible for the performance of the third party to whom Company's duties are delegated.

C. Assignment by Franchisee: In General.

1. Franchisee understands and agrees that the franchise rights granted to it are personal and are granted in reliance upon, among other considerations, the personal or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is a Business Entity, that of its officers, directors, shareholders, managers, members, trustees or owners.

2. Franchisee understands and agrees that, without Company's prior written consent, it has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, (ii) the right to use the Phở Hòa® System or the Phở Hòa® Marks granted pursuant to this Agreement, or (iii) all or a significant portion of the other assets of the Franchised Restaurant or Franchisee's leasehold rights. Company agrees not to withhold its consent unreasonably if, in Company's judgment, Franchisee satisfies the conditions to transfer identified in this Agreement.

3. For purposes of this Agreement, each of the following events is an example of an event of transfer that requires Company's prior written consent and is subject to the conditions to transfer identified in this Agreement:

a. A change in ownership of Franchisee due to a consolidation or merger involving Franchisee or any Franchisee Affiliates;

b. If Franchisee is a natural person, an order dissolving Franchisee's marriage;

c. The death or Incapacity (as defined in this Agreement) of Franchisee if Franchisee is a natural person, or the death or Incapacity of the person who owns a Controlling Interest of a Franchisee that is a Business Entity;

d. Either (i) the sale, assignment, transfer, pledge, donation, encumbrance or other alienation in one or a series of transactions of a Controlling Interest in the equity or voting interests of Franchisee; (ii) the sale, assignment, transfer, pledge, donation, encumbrance or other alienation of a Controlling Interest in the equity or voting interests of any Franchisee Affiliates; or (iii) the issuance of additional shares representing a Controlling Interest in the equity or voting interests of Franchisee or any Franchisee Affiliates. For example, and without limitation, a financial restructuring or recapitalization secured by either a Controlling Interest in the equity or voting interests of Franchisee or all or substantially all of the physical assets of the Franchised Restaurant, shall constitute an event of transfer subject to the provisions of this Agreement;

e. The sale, assignment, transfer, pledge, donation, encumbrance or other alienation of all, or substantially all, of the assets of the Franchised Restaurant;

f. A transfer of any interest in this Agreement or the right to use the Phở Hòa® System or the Phở Hòa® Marks;

g. The transfer by Franchisee of all of his or her rights under this Agreement to a newly formed Business Entity; and

h. The offer or sale of securities of Franchisee pursuant to a transaction subject to registration under federal or state securities laws or by private placement pursuant to a written offering memorandum.

4. Any attempted or purported transfer that fails to comply with the requirements of this Agreement shall be null and void and shall constitute a default under this Agreement.

D. Company's Right of First Refusal.

1. Except with respect to Qualified Transfers, if Franchisee, or the person to whom an offer is directed (the "Individual Transferor"), receives a bona fide written offer ("Third-Party Offer") to purchase or otherwise acquire an interest that will result in an event of transfer within the meaning of this Agreement, Franchisee or the Individual Transferor, shall, within five (5) days after receiving the Third-Party Offer and before accepting it, apply to Company in writing for Company's consent to the proposed transfer.

2. Franchisee, or the Individual Transferor, shall attach to its application for consent to the transfer a true and complete copy of the Third-Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third-Party Offer, proposed transferee and proposed assignment or that Company requests.

3. Company or its nominee shall have the right, exercisable by written notice ("Notice of Exercise") given to Franchisee or the Individual Transferor, within 30 days following receipt of the Third-Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Individual Transferor that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third-Party Offer, except that Company may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third-Party Offer, and (ii) deduct from the purchase price the amount of any commission or fee otherwise payable to any broker or agent in connection with the Third-Party Offer and all amounts then due and owing from Franchisee to Company, Company's Affiliates, the Marketing Fund (if any), or otherwise. All assets so purchased shall be free and clear of liens. If any asset is pledged as security for financing that is then unpaid, Company may further deduct from the purchase price the remaining amount payable under the terms of financing regardless of whether the lender is Company, one of Company's Affiliates or a third party.

4. The closing shall take place at Company's headquarters at a mutually agreed upon date and time, but not later than 60 days following Company's receipt of the Third-Party Offer, all supporting information, and the application for consent to transfer.

a. At the closing, Franchisee or the Individual Transferor shall deliver to Company the same documents, affidavits, warranties, indemnities and instruments as would have been delivered by Franchisee or the Individual Transferor to the proposed transferee

pursuant to the Third-Party Offer. Additionally, Franchisee and the Individual Transferor shall deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

b. All costs, fees, document taxes and other expenses incurred in connection with the transfer shall be allocated between Franchisee and Company in accordance with the terms of the Third-Party Offer, and any costs not allocated shall be paid by Franchisee or the Individual Transferor.

5. In the event Company gives timely Notice of Exercise but, through no fault of Franchisee or the Individual Transferor, fails to close the purchase for any reason, Franchisee or the Individual Transferor shall have no recourse against Company. Franchisee or the Individual Transferor may not complete the sale to the proposed transferee without first obtaining Company's prior written consent and satisfying the other conditions to transfer stated in this Agreement.

E. Qualified Transfers.

1. The following events are collectively referred to as "Qualified Transfers":

a. If Franchisee is a Business Entity, the sale, assignment, transfer, pledge, donation, encumbrance or other alienation of equity or voting interests constituting less than a Controlling Interest of the total outstanding equity or voting interests of a Franchisee; and

b. If Franchisee is a natural person, the transfer by Franchisee of all of his or her rights under this Agreement to a newly-formed Business Entity provided all of the equity or voting interests of the new Business Entity are owned by the person.

2. In order to complete a Qualified Transfer, Franchisee must first (i) give Company written notice of its desire to complete a Qualified Transfer; (ii) when the Qualified Transfer is to a newly-formed Business Entity, deliver the documents required to be delivered by a Business Entity Franchisee; (iii) deliver a duly executed personal guaranty in favor of Company from each person who is required to give a personal guaranty under this Agreement; and (iv) pay a transfer fee of $1,500 to compensate Company for its expenses in recording the ownership change. The Qualified Transfer shall not be effective unless and until Franchisee satisfies conditions (i), (ii), (iii), and (iv).

3. Company shall not have any right of first refusal with respect to a Qualified Transfer, nor shall Franchisee be required to obtain Company's prior written consent to a Qualified Transfer if Franchisee satisfies the conditions stated in this Section.

F. Conditions of Assignment to Third Party.

1. If Company does not exercise its right of first refusal or complete the purchase of an interest that is the subject of a Third-Party Offer, Franchisee may not complete the proposed transfer without Company's prior written consent. Any transfer, or attempt to complete a transfer, in violation of this provision is a material breach of this Agreement. The requirements of this paragraph do not apply to a Qualified Transfer.

2. Company shall notify Franchisee of its decision consenting, or refusing to consent to, the proposed transfer by the later of the following dates: (i) if Company gives timely Notice of Exercise but does not consummate the transfer through no fault of Franchisee or the Individual Transferor, notice shall be given within 10 days after the scheduled closing date for Company's purchase of the interest, or 30 days after Notice of Exercise is given, whichever occurs later, or (ii) in all other cases, notice shall be given 30 days after Company receives the Third-Party Offer (if any), all supporting information and the application for consent to transfer.

3. As a condition to issuing consent to a transfer, Company shall require that all of the following conditions be satisfied:

a. The proposed transferee must submit a completed franchise application to Company, pay Company's then-current application fee, if Company at the time charges one, and meet Company's then-current qualifications for new Phở Hòa® franchisees, including qualifications pertaining to financial condition, credit rating, business experience, moral character and reputation. The application fee shall be non-refundable.

b. As of the date consent is requested and through the date of closing of the proposed transfer and assignment, Franchisee must not be in default under this Agreement, the Lease, or any other agreements with Company, and must be current with all monetary obligations owed to third parties, including (without limitation) Company's Affiliates.

c. The transferee must agree in writing to assume all of Franchisee's obligations under this Agreement and succeed to Franchisee's rights under this Agreement.

d. Franchisee shall remain subject to all obligations stated herein that expressly, or by their nature, survive the Effective Date of Termination or Expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

e. Franchisee must execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

f. Franchisee must pay Company a transfer fee equal to 30% of the then-current Initial Franchise Fee that Company is charging new single-unit franchisees in the state where the Franchised Restaurant is located. If the same transferee buys more than one franchise from Franchisee in the same transaction, Company shall be entitled to collect a separate transfer fee under the terms of each Franchise Agreement being assigned.

g. All required third-party consents to the transfer must be obtained including, without limitation, the consent of the landlord of the Authorized Location and all third parties under financing that does not become all due and payable on account of the transfer.

h. The proposed transferee must execute all other documents and agreements required by Company to consummate the transfer of this Agreement. If the proposed transferee is a Business Entity, each person who at the time of the transfer, or later, owns or acquires, either legally or beneficially, 10% or more of the equity or voting interests of the proposed transferee must execute the form of personal guaranty attached to this Agreement as **Schedule B** to guarantee the transferee's performance under this Agreement.

i. Franchisee's right to receive the sales proceeds from the proposed transferee in consideration of the transfer, or otherwise, shall be subordinate to the proposed transferee's and Franchisee's duties owed to Company and Company's Affiliates under, or pursuant to, this Agreement. All contracts by and between Franchisee and the proposed transferee shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Company and Company's Affiliates are fully satisfied.

j. Except when the transferee is an existing franchisee, the proposed transferee must complete, to Company's sole satisfaction, Company's next available Management Training class that is part of Company's then-current initial training program immediately after possession of the Franchised Restaurant is transferred to the proposed transferee and qualify at least one Certified Manager before the proposed transferee may assume operational responsibility for the Phở Hòa® Restaurant. Franchisee understands and agrees that, following the closing, Franchisee shall remain responsible for operation and management of the Franchised Restaurant until the proposed transferee and its personnel complete the requisite training and certification requirements and there is at least one person qualified as a Certified Manager for the proposed transferee.

k. Franchisee must simultaneously transfer its rights under the Lease, and any other contracts whose continuation is necessary for operation of the Franchised Restaurant, to the same proposed transferee and satisfy any separate conditions to obtain any third-party consents required for the transfer of Franchisee's rights to the proposed transferee.

l. Within a reasonable period of time following the closing date, the proposed transferee shall conform the Franchised Restaurant to Company's then-current appearance, trade dress elements and design standards and equipment specifications then applicable to new Phở Hòa® Restaurants.

G. Closing of Sale to Third Party.

1. Should Company consent to an event of transfer, Franchisee, or the Individual Transferor, may only complete the transfer to the proposed transferee on the terms identified in the Third-Party Offer or as otherwise stated in Franchisee's application for consent.

2. If there is any material change in the terms of the Third-Party Offer, Company has a right of first refusal to accept the new terms subject to the conditions stated in this Section.

3. If Company consents to an event of transfer, the transfer must close within 60 days from the date the Third-Party Offer is first submitted to Company unless Company grants an extension of time in writing; otherwise, it must again be offered to Company.

H. Business Entity Franchisee.

1. If Franchisee is a Business Entity, it shall furnish to Company, upon execution of this Agreement or at such other time as transfer to the Business Entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreement, and a list of all persons owning an interest in the equity or voting

interests of the Business Entity. Additionally, Franchisee shall promptly provide Company with a copy of any amendments to, or changes in, the information during the Term.

2. During the Term, each person who now or later owns or acquires, either legally or beneficially, 10% or more of the equity or voting interests of Franchisee must execute Company's form of personal guaranty attached hereto as **Schedule B** to guarantee Franchisee's performance under this Agreement.

3. Franchisee shall maintain stop transfer instructions against the transfer on its records of any equity or ownership interests. Each certificate representing an ownership interest in Franchisee shall bear a legend, in the form stated in the Manual, that it is held, and further assignment or transfer thereof is, subject to all restrictions imposed upon transfer set forth in this Agreement.

4. The chief financial officer of Franchisee shall deliver a certificate to Company annually, when Franchisee's annual financial statements are delivered, that lists all owners of record and all beneficial owners of any interest in the equity or voting interests of Franchisee and identifies all transfers of equity or voting interests in Franchisee that have occurred during the period covered by the annual financial statement.

I. Death or Incapacity.

1. In the event of the death or Incapacity of Franchisee, if Franchisee is a natural person, or the death or Incapacity of the person owning a Controlling Interest of a Franchisee that is a Business Entity, the spouse, heirs or personal representative of the deceased or incapacitated person, or the Franchisee's remaining shareholders, members, partners or owners, as appropriate to the circumstance (collectively referred to as "Successor") shall have 180 days from the date of death or Incapacity in which to (i) purchase the interest owned by the deceased or incapacitated person, or (ii) complete the sale or assignment of the interest to a qualified, approved third party, provided, in either case, the purchase or assignment complies with the conditions for transfer stated in this Section.

2. During the period that Successor operates Franchisee's Franchised Restaurant, Successor shall perform all of the obligations of Franchisee under this Agreement. At the end of the 180-day period, if Successor has not purchased the franchise or obtained Company's consent to a transfer to a third party, Company may, at its election, terminate this Agreement.

3. Immediately following the date of death or Incapacity, if Successor is unable to demonstrate to Company's reasonable satisfaction that Successor has the financial ability and business skills to operate the Franchised Restaurant in accordance with the requirements of this Agreement during the interim period until Successor is able to obtain Company's consent to complete the event of transfer, Company shall have the absolute right (but not the obligation) to occupy the Approved Location and assume day-to-day management of the Franchised Restaurant for the account of Franchisee. In addition to receiving the fees due to Company under this Agreement, Franchisee agrees that in exchange for Company's management services, Company shall be entitled to receive a reasonable management fee in the then-current amount specified in the Manual and be reimbursed for all of its direct costs and expenses in rendering management services. Company may pay itself the management fee each calendar month during the management period out of the cash flow of the Franchised Restaurant together with other fees due to Company under this Agreement. This Agreement

shall otherwise continue in full force and effect during the period of Company's day-to-day management. Successor's failure or refusal to cooperate with Company's right to assume management of the Franchised Restaurant during the interim period as provided in this Section shall constitute a material breach of this Agreement.

4. The parties recognize that Company's right to manage the Franchised Restaurant is primarily intended to facilitate an orderly transition of ownership with minimal disruption to the Franchised Restaurant's continuous operation. Company shall have the right to manage the Franchised Restaurant until Successor obtains Company's consent to the event of transfer, up to 180 days. By mutual agreement of Company and Successor, the period of Company's management may be extended for longer than 180 days, but in no event shall it extend beyond one year from the date of death or Incapacity. If Successor cannot obtain Company's consent to a proposed transferee by the end of one year (or if Successor fails to obtain Company's consent to the event of transfer within 180 days and Company and Successor do not agree to extend the period of Company's management), Company may terminate this Agreement. During the time that Company manages the Franchised Restaurant, Company shall periodically discuss the status of the Franchised Restaurant's operations and financial results with Successor and provide suitable current information about the Franchised Restaurant's performance as Successor may reasonably require.

5. During the time that Company manages the Franchised Restaurant, Franchisee shall not be relieved of any of its obligations under this Agreement. Company shall not be liable for any debts, losses, costs or expenses incurred in the operation of the Franchised Restaurant or to any creditor of Franchisee for any products or services purchased during any period in which the Franchised Restaurant is managed by Company. All such debts, losses, costs and expenses shall remain the responsibility of Franchisee.

XX. RELATIONSHIP OF PARTIES; INDEMNIFICATION; SECURITY INTEREST

A. Independent Contractor.

1. This Agreement does not create a fiduciary relationship between the parties, nor does it make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. With respect to all matters, Franchisee's relationship to Company is as an independent contractor.

2. Franchisee understands and agrees that it is the independent owner of the Franchised Restaurant and in sole control of all aspects of its operation, and shall conduct its business using its own judgment and sole discretion, subject only to the provisions of this Agreement.

3. Franchisee shall conspicuously identify itself in all advertising and all dealings with customers, suppliers and other third parties as the owner of the Franchised Restaurant operating under a license from Company.

B. Indemnification by Franchisee.

1. Franchisee shall indemnify and hold Company, Company's Affiliates and their respective officers, directors, shareholders, employees, agents, successors and assigns, harmless from and against any and all costs, expenses, losses, liabilities, damages, causes of action, claims and demands whatsoever, arising from or relating to the business conducted by

Franchisee at or from the Franchised Restaurant, whether or not arising from bodily injury, personal injury or property damage, or any other violation of the rights of others, or in any other way.

2. Franchisee's obligation to indemnify Company shall extend, without limitation, to all claims for actual and consequential damages, and Company's costs and expenses incurred in defending any claim brought or threatened by a third party that is within the scope of Franchisee's indemnification, including, without limitation, attorneys' and other professional fees, court costs, and travel and living expenses. Company shall have the right to retain its own counsel to defend any third-party claim covered by this indemnification agreement.

3. Franchisee's indemnification obligation shall survive the expiration, termination or assignment of this Agreement for any reason.

C. Security Interest. To secure Franchisee's performance under this Agreement, Franchisee hereby grants to Company a security interest in and to all of Franchisee's tangible and intangible property used to operate the Franchised Restaurant. Company shall record appropriate financing statements to protect and perfect Company's rights as a secured party under Applicable Laws. Except with Company's prior written consent, it shall be a breach of this Agreement for Franchisee to grant another person a security interest in Franchisee's tangible or intangible assets of the Franchised Restaurant even if subordinate to Company's security interest. Company agrees to subordinate Company's own security interest if requested by a lender providing financing to Franchisee on commercially reasonable terms in connection with the purchase of the Franchised Restaurant.

XXI. PERSONAL GUARANTY

A. Scope. If Franchisee is a Business Entity, each person who owns or at any time during the Term acquires, either legally or beneficially, 10% or more of the equity or voting interests of Franchisee shall furnish any financial information reasonably required by Company and execute Company's form of personal guaranty attached to this Agreement as **Schedule B**.

B. Default. An event of default under this Agreement shall occur if any guarantor fails or refuses to deliver to Company, within 10 days after Company's written request: (i) evidence of the due execution of the personal guaranty, and (ii) current financial statements of guarantor as may from time to time be requested by Company.

XXII. DISPUTE RESOLUTION

A. Agreement to Mediate Disputes. Except as provided in subparagraph B of this Section, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

1. The mediation shall be conducted pursuant to the mediation rules of JAMS ("Mediation Service"). Either party may initiate the mediation proceeding ("Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party ("Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating

Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

2. The mediation will be conducted by a single mediator, who must be either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the Mediation Service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute that is the subject of the mediation.

3. The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

4. The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Franchisee is the Initiating Party, the mediation shall be conducted at Company's headquarters at the time, unless otherwise required by applicable law.

5. At least 7 days before the first scheduled session of mediation, each party shall deliver to the mediator and to the other party a concise written summary of its position with respect to the matters in dispute and the Initiating Party's claims for relief, and such other matters required by the mediator.

6. The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree, however, that the mediator's recommendations, if any, shall not be binding on the parties.

7. During the mediation conference, the mediator may have joint and separate meetings with the parties and their counsel, at the mediator's sole discretion. The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of eight hours of mediation as required by Section XXII.A.8, and informs the parties in writing, that further efforts would not be useful, or (iii)the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

8. Notwithstanding Section XXII.A.7, the parties agree that the mediation conference shall continue for at least eight (8) hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than eight (8) hours.

9. If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement (including, without limitation, for breaching the conditions of Section XXII.A.8), the non-breaching party may immediately file suit

and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs, (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

10. At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

11. The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

B. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

1. Any claim where the amount of damages sought is $10,000 or less.

2. Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders that a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this Agreement.

3. Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

C. Judicial Relief.

1. The parties agree that (i) all disputes arising out of or relating to this Agreement that are not resolved by negotiation or mediation, and (ii) all claims that this Agreement expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters, or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties

acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

2. To the fullest extent that it may effectively do so under Applicable Laws, Franchisee waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this paragraph and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this paragraph.

3. The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this Agreement.

4. In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery including, in the case of Company, the right to conduct forensic examination of Franchisee's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each party may conduct discovery on an expedited basis.

D. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PHỞ HÒA® MARKS OR PHỞ HÒA® SYSTEM BY FRANCHISEE, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

E. Choice of Law. Except as otherwise provided in this Agreement, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

F. Liquidated Damages. If this Agreement is terminated due to Franchisee's material breach, Company may recover liquidated damages calculated in the manner provided in this Section ("Liquidated Damages"). The calculation of Liquidated Damages is based on the parties' good faith estimate of the amount of time it would take Company to find a replacement for Franchisee in the trade area that had been served by Franchisee and for the replacement to generate fees equivalent to the amounts paid or payable by Franchisee. The parties agree that: (i) if termination occurs more than 24 complete Calendar Months from the Opening Date, Liquidated Damages shall be equal to the product of 24 times the average Royalty Fees and

Marketing Fees paid, or that should have been paid, by Franchisee pursuant to this Agreement, for the 24 Calendar Months immediately before the Effective Date of Termination of this Agreement; and (ii) if termination occurs before Franchisee has operated its Franchised Restaurant for at least 24 complete Calendar Months, Liquidated Damages shall be equal to the product of 24 times the average Royalty Fees and Marketing Fees paid, or that should have been paid, by Franchisee pursuant to this Agreement, during the period since the Opening Date. In each case, the amount of Liquidated Damages shall not be reduced by any claims that Franchisee may have for set off or otherwise. Furthermore, the Liquidated Damages calculation shall not be affected by the fact that during the calculation period Royalty Fees and Marketing Fees may not have been paid by Franchisee or were forgiven, setoff, or waived by Company for any reason. The parties acknowledge and agree that the method for calculating Liquidated Damages represents the parties' reasonable endeavor to estimate a fair average compensation for Company's loss due to Franchisee's material breach and their decision to provide for Liquidated Damages spares both parties the cost and inconvenience of having to prove Company's actual damages. Franchisee agrees that the availability of Liquidated Damages shall not preclude Company from obtaining injunctive relief or other provisional remedies in order to enforce the provisions of this Agreement pertaining to Franchisee's use of the Marks or to prevent conduct that does, or threatens to, harm the reputation or goodwill of the Marks.

G. Punitive or Exemplary Damages. Company and Franchisee, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

H. Attorneys' Fees.

1. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

2. Company shall be entitled to reimbursement of all fees, costs and expenses that it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

I. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) 90 days after obtaining knowledge of the facts that constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction that constituted or gave rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation proceeding that is initiated before the last day of the limitations period, and such tolling shall commence on the date the Responding Party receives the Initiating Party's demand for mediation and continue until the date the mediation is concluded.

J. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of a judge in any proceeding or action in which either Company and Franchisee, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

K. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

XXIII. ACKNOWLEDGMENTS

Franchisee, in order to induce Company to enter into this Agreement, acknowledges, agrees, and represents to Company as follows:

A. Acceptance of Conditions. Franchisee has read this Agreement and Company's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Company's standards of service and quality and the uniformity of those standards at all Phở Hòa® Restaurants in order to protect and preserve the Phở Hòa® System and the goodwill of the Phở Hòa® Marks.

B. Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Phở Hòa® System may evolve and change over time; that an investment in this franchise involves business risks; and that the success of the investment depends upon Franchisee's business ability and efforts.

C. Reliance. Franchisee has not received or relied upon any promise or guaranty, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

D. No Representations. No representations have been made by Company, Company's Affiliates or their respective officers, directors, shareholders, employees or agents, that are contrary to statements made in the Franchise Disclosure Document previously received by Franchisee or to the terms contained in this Agreement.

E. Signatory Status. The person executing this Agreement as or on behalf of Franchisee, and each person required to execute a guaranty of Franchisee's obligations, is a United States citizen or a lawful resident alien of the United States.

F. Status of Franchisee. If Franchisee is a Business Entity, it is now, and shall at all times remain, duly organized and in good standing for as long as it is a party to this Agreement.

G. Application and Financial Information. All financial and other information provided to Company in connection with Franchisee's application is true and correct, and no material information or fact has been omitted that is necessary in order to make the information disclosed not misleading.

H. Company's Sole Discretion. The parties recognize that certain provisions of this Agreement give Company the right to take (or refrain from taking) certain actions in its sole discretion. Company's sole discretion means that Company may consider any set of facts or circumstances that it deems relevant in rendering a decision. The parties acknowledge and agree that the allocation of decision-making authority set forth in this Agreement is a material aspect of the parties' overall bargain. The fact that a mediator or judge might reach a different decision than the one that Company has made or that other alternatives may exist to the discretion exercised by Company shall not be the basis for finding that Company has acted in breach of this Agreement.

I. Anti-Terrorism Representations. Franchisee agrees to comply with and/or to assist Company to the fullest extent possible in Company's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents and warrants on behalf of itself, each Covered Person and each person who is a guarantor of Franchisee's obligations to Company that none of their property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of, or "blocking" of assets under, the Anti-Terrorism Laws shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Company or one of its affiliates, in accordance with the termination provisions of this Agreement.

XXIV. MISCELLANEOUS

A. Notices.

1. All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given on the earlier of (i) the date when delivered by hand; (ii) one Business Day after delivery to a reputable national overnight delivery service; or (iii) 4 Business Days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested.

2. All notices shall be addressed as follows:

TO COMPANY:
South Bay Soup Corporation
2372 Maritime Drive
Elk Grove, CA 95758
Fax: (916) 484-3837
ATTENTION: President

TO FRANCHISEE:
_____
_____
_____
_____

WITH A COPY TO:
Rochelle B. Spandorf, Esq.
DAVIS WRIGHT TREMAINE LLP
865 South Figueroa Street, Suite 2400
Los Angeles, CA 90017-2566
Fax No.: (213) 633-6899

WITH A COPY TO:
_____
_____
_____
_____

3. Either party may change its address for receiving notices by appropriate written notice to the other.

4. All payments and reports required to be delivered to Company shall be directed to Company at the above address or to an electronic address or account otherwise designated by Company.

B. Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

C. Company's Prior Approval. Except where this Agreement expressly requires Company to exercise its reasonable business judgment in deciding to grant or deny 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 in Company's sole discretion. Further, whenever the prior consent or approval of Company is required by this Agreement, Company's consent or approval must be in evidence by a writing unless this Agreement expressly states otherwise.

D. Waiver.

1. Any waiver granted by Company to Franchisee excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Company to Franchisee or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing.

2. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's discretion to take action of any kind, or not to take action, with respect to Franchisee. Any waiver granted by Company to Franchisee shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative.

3. No delay on the part of Company in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Company of any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

4. Company's acceptance of any payments made by Franchisee after a breach of this Agreement shall not be, nor be construed as, a waiver by Company of any breach by Franchisee of any term, covenant or condition of this Agreement.

E. Paragraph Headings; Language.

1. The paragraph headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

2. The language used in this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against Company or Franchisee. The term "Franchisee" as used herein is applicable to one or more persons or Business Entities if the interest of Franchisee is owned by more than one, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If 2 or more persons are at any time the Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Company shall be joint and several.

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

F. Binding on Successors. The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, permitted assigns, heirs and personal representatives of the parties hereto.

G. Validity; Conformity With Applicable Laws.

1. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under Applicable Laws, but if any provision of this Agreement shall be invalid or prohibited under Applicable Laws, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

2. To the extent that the provisions of this Agreement provide for periods of notice less than those required by Applicable Laws, or provide for termination, cancellation, non-renewal or the like other than in accordance with Applicable Laws, such provisions shall be deemed to be automatically amended to conform them to the provisions of such Applicable Laws.

3. To the extent any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited or length of time, but could be enforceable by reducing any or all thereof, the parties agree that the provision shall be enforced to the fullest extent permissible under the laws of the jurisdiction in which enforcement is sought.

H. Amendments. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and executed by Company and Franchisee.

I. Complete Agreement. This Agreement, including all exhibits attached hereto, and all agreements or documents that by the provisions of this Agreement are expressly

incorporated herein or made a part hereof, sets forth the entire agreement between the parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. However, nothing in this Agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

J. Force Majeure. Neither party is responsible for a failure to perform its obligations under this Agreement if performance is prevented or delayed due to an event of Force Majeure. Upon completion of the event of Force Majeure, the party whose performance was affected must as soon as reasonably practicable recommence the performance of their obligations under this Agreement. Furthermore, the party whose performance is prevented or delayed shall use their reasonable efforts to mitigate the effect of the event of Force Majeure on their performance. An event of Force Majeure does not relieve a party or a Personal Guarantor from liability for an obligation that arose before the onset of the event of Force Majeure, nor does an event of Force Majeure affect the obligation to pay money in a timely manner for an obligation that arose before the onset of the event of Force Majeure. An event of Force Majeure will not operate to extend the Term of this Agreement.

K. Covenant and Condition. Each provision of this Agreement performable by Franchisee shall be construed to be both a covenant and a condition.

L. Submission of Agreement. The submission of this Agreement to Franchisee does not constitute an offer to Franchisee, and this Agreement shall become effective only upon execution by Company and Franchisee.

M. Consent of Spouse. If Franchisee enters into this Agreement in their individual capacity, Franchisee's spouse shall execute a Consent of Spouse in the form of **Schedule E**. If Franchisee is a Business Entity, the spouse of each Personal Guarantor shall execute a Consent of Spouse in the form of **Schedule E**.

N. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

SOUTH BAY SOUP CORPORATION

By:_____

Printed Name: _____

Its:_____

FRANCHISEE

_____
[Signature, if a natural person]

_____
[Print Name]

_____
[NAME OF BUSINESS ENTITY]

By:_____

Printed Name: _____

Its:_____

SCHEDULE A TO FRANCHISE AGREEMENT

AUTHORIZED LOCATION AND FRANCHISE TERRITORY

The street address of the Authorized Location is as follows:

_____

_____

_____

[Applicable only if a Territory is awarded to Franchisee]: The Territory is described as follows [or attach map]:

_____

_____

_____

Dated: _____, _____

SOUTH BAY SOUP CORPORATION

By: _____

Printed Name: _____

Its: _____

FRANCHISEE

_____
[Signature, if a natural person]

_____
[Print Name]

_____
[NAME OF BUSINESS ENTITY]

By: _____

Printed Name: _____

Its: _____

SCHEDULE B TO FRANCHISE AGREEMENT

PERSONAL GUARANTY

THIS GUARANTY AGREEMENT ("Agreement") is made as of _____, by_____, an individual ("Guarantor") in favor of South Bay Soup Corporation (the "Company"), subject to following recitals:

RECITALS

A. Guarantor's company, _____ ("Debtor") applied to purchase the right to open a Phở Hòa® franchise on the terms of the contracts (collectively referred to as the "Contracts") attached to Company's Franchise Disclosure Document ("FDD").

B. Debtor is a business entity other than a partnership duly organized under the laws of the State of _____.

C. When a franchisee or applicant seeking to purchase franchise rights is a business entity other than a partnership, Company requires that each person owning 10% or more of the equity or voting interests of the business entity execute a copy of this Agreement, agreeing to personally guarantee the business entity's obligations under each one of the Contracts for the benefit of Company.

D. Guarantor represents that he/she is one of the individuals identified on **Schedule A**, which lists all of the owners of Debtor, and that Guarantor owns, either legally or beneficially, 10% or more of the equity or voting interests of Debtor.

NOW, THEREFORE, in order to induce Company to enter into one or more of the Contracts with Debtor, Guarantor covenants and agrees with Company as follows:

Section 1. Guaranty.

a. Guarantor hereby unconditionally and irrevocably guarantees to Company and Company's Affiliates the full and punctual payment and performance of all present and future amounts, liabilities and obligations of Debtor to Company, Company's Affiliates, or to any successor or transferee thereof under each of the Contracts entered into by and between Debtor and Company. Guarantor's agreement shall apply regardless of whether the amounts, liabilities or obligations are liquidated or unliquidated, now existing or hereafter arising, in principal, interest, delinquency charges, costs and attorneys' fees, as therein stipulated, and under and pursuant to all amendments, supplement and restatements of the Contracts (collectively, the "Indebtedness").

b. The term, "Company's Affiliates" includes every business entity that controls, is controlled by, or is under common control with Company.

c. Payments made on the Indebtedness will not discharge or diminish the obligations and liability of Guarantor under this Agreement for any remaining and succeeding Indebtedness.

d. The guaranty provided for in this Agreement is an absolute, unconditional, continuing guaranty of payment and is in no way conditioned upon or limited by: (i) any attempt to collect from Debtor; (ii) any attempt to collect from, or the exercise of any rights and remedies against, any person other than Debtor who may at any time now or hereafter be primarily or secondarily liable for any or all of the Indebtedness, including, without limitation, any other maker, endorser, surety, or guarantor of all or a portion of the Indebtedness; or (iii) any resort or recourse to or against any security or collateral now or hereafter pledged, assigned, or granted to Company under the provisions of any instrument or agreement or otherwise assigned or conveyed to it.

e. If Debtor fails to pay any of the Indebtedness, when and as the same shall become due and payable (whether by acceleration, declaration, extension or otherwise), Guarantor shall on demand pay the same to Company in immediately available funds, in lawful money of the United States of America, at its address specified in or pursuant to this Agreement.

Section 2. Solidary Obligation. Guarantor hereby binds and obligates Guarantor and Guarantor's heirs, successors and assigns in solido with Debtor for the full and punctual payment and performance of all of the Indebtedness precisely as if the same had been contracted and were due and owing by Guarantor personally.

Section 3. Obligations Absolute.

a. The obligations and liabilities of Guarantor under this Agreement (i) are primary obligations of Guarantor, (ii) are continuing, absolute, and unconditional, (iii) shall not be subject to any counterclaim, recoupment, set-off, reduction, or defense based upon any claim that Guarantor may have against Debtor, (iv) are independent of any other guaranty or guaranties at any time in effect with respect to all or any part of the Indebtedness, and (v) may be enforced regardless of the existence of such other guaranty or guaranties.

b. The obligations and liabilities of Guarantor under this Agreement shall not be affected, impaired, lessened, modified, waived or released by the invalidity or unenforceability of the Indebtedness or any ancillary or related document, or by the bankruptcy, reorganization, dissolution, liquidation or similar proceedings affecting Debtor or the sale or other disposition of all or substantially all of the assets of Debtor.

c. Guarantor hereby consents that at any time and from time to time, Company may, without in any manner affecting, impairing, lessening, modifying, waiving or releasing Guarantor's obligations or liabilities under this Agreement, do any one or more of the following, all without notice to, or further consent of, Guarantor:

(1) renew, extend or otherwise change the time or terms for payment of the principal of, or interest on, any of the Indebtedness or any renewals or extensions thereof;

(2) extend or change the time or terms for performance by Debtor of any other obligations, covenants or agreements;

(3) amend, compromise, release, terminate, waive, surrender, or otherwise deal with: (i) any or all of the provisions of the Indebtedness, (ii) any or all of the obligations and liabilities of Debtor or Guarantor, or (iii) any or all property or other security given at any time as collateral by Guarantor or Debtor;

(4) sell, assign, collect, substitute, exchange or release any or all property or other security now or hereafter serving as collateral for any or all of the Indebtedness;

(5) receive additional property or other security as collateral for any or all of the Indebtedness;

(6) fail or delay to enforce, assert or exercise any right, power, privilege or remedy conferred upon Company under the provisions of any Indebtedness or under applicable laws;

(7) grant consents or indulgences or take action or omit to take action under, or in respect of, the Indebtedness; and

(8) apply any payment received from Debtor or from any source, other than Guarantor, to the Indebtedness in whatever order and manner Company may elect, and any payment received from Guarantor for or on account of this Agreement may be applied by Company to any of the Indebtedness in whatever order and manner Company may elect.

Section 4. Waiver by Guarantor. Guarantor unconditionally waives, to the extent permitted by applicable laws:

a. notice of acceptance of and reliance on this Agreement or of the creation of the Indebtedness;

b. presentment, demand, dishonor, protest, notice of non-payment and notice of dishonor of the Indebtedness;

c. notice of transfer or assignment of the Indebtedness and this Agreement; and

d. all notices required by statute or otherwise to preserve any rights against Guarantor hereunder, including, without limitation, any demand, proof, or notice of non-payment of any of the Indebtedness by Debtor and notice of any failure or default on the part of Debtor to perform or comply with any term of the Indebtedness.

Section 5. Subrogation. Until such time as the Indebtedness has been paid and performed in full and the provisions of this Agreement are no longer in effect, Guarantor shall not exercise any right to subrogation, reimbursement or contribution against Debtor nor any right to subrogation, reimbursement or indemnity against any property or other security serving at any time as collateral for any or all of the Indebtedness, all of which rights of subrogation, reimbursement, contribution and indemnity Guarantor subordinates to the full and punctual payment and performance of the Indebtedness.

Section 6. Subordination. Should Guarantor for any reason advance or lend monies to Debtor, whether or not the funds are used by Debtor to reduce the Indebtedness, Guarantor hereby agrees that any and all rights that Guarantor may have or acquire to collect from, or be reimbursed by, Debtor shall be subordinate to the rights of Company to collect and enforce the payment and performance of the Indebtedness, until such time as the Indebtedness has been fully paid and performed and the provisions of this Agreement are no longer in effect.

Section 7. Remedies. Upon the failure to pay or perform any of the Indebtedness when due (whether by acceleration or otherwise), Company, subject to the provisions of this Agreement, may institute a judicial proceeding for the collection of the sums or the performance of the Indebtedness so due and unpaid or unperformed, and may prosecute the proceeding to judgment for final decree, and may enforce the same against Guarantor and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of Guarantor, wherever situated. In the event of such a failure, Company shall have the right to proceed first and directly against Guarantor without proceeding against Debtor or any other person, without exhausting any other remedies that it may have and without resorting to any other security held by Company.

Section 8. Enforcement Expenses. Guarantor agrees to indemnify and hold Company harmless against any loss, liability, or expense, including their reasonable attorneys' fees, accounting fees and other costs and disbursements that may result from Debtor's failure to pay or perform any of the Indebtedness when and as due and payable or that may be incurred in enforcing any obligation of Debtor or Guarantor.

Section 9. Notices. All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given on the earlier of (a) the date when delivered by hand; (b) one business day after delivery to a reputable national overnight delivery service; or (c) 4 business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. Notices shall be addressed in the manner shown on **Schedule A**, provided either party may change its address for receiving notices by appropriate written notice to the other.

Section 10. Amendment. Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally or in any manner other than by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

Section 11. Waivers. No course of dealing on the part of Company, its officers, employees, consultants or agents, nor any failure or delay by Company with respect to exercising any of rights, powers or privileges under this Agreement shall operate as a waiver thereof.

Section 12. Cumulative Rights. The rights and remedies of Company under this Agreement, the Indebtedness and any ancillary or related document shall be cumulative, and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy.

Section 13. Titles of Articles, Sections and Subsections. All titles or headings to articles, sections, subsections or other divisions of this Agreement are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 14. Singular and Plural. Words used herein in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definitions of words in the singular herein shall apply to such words when used in the plural where the context so permits and vice versa.

Section 15. Dispute Resolution. The parties adopt and incorporate by reference as part of this Agreement the Dispute Resolution provisions set forth in **Schedule B**.

Section 16. Successors and Assigns.

a. All covenants and agreements by or on behalf of Guarantor in this Agreement shall bind Guarantor's heirs, successors and assigns and shall inure to the benefit of Company and its successors and assigns.

b. This Agreement is for the benefit of Company and for such other person or persons as may from time to time become or be the holders of any of the Indebtedness, and this Agreement shall be transferable and negotiable, with the same force and effect and to the same extent as the Indebtedness may be transferable, it being understood that, any holder of the Indebtedness shall have under this Agreement, upon the transfer of the Indebtedness, all of the rights of such granted to Company.

IN WITNESS WHEREOF, Guarantor has caused this Agreement to be duly executed as of the date first written above.

Guarantor:

Date:_____ By:_____

Print Name:_____

Company executes this Agreement to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule B**.

Company: South Bay Soup Corporation

Date:_____ By:_____

Print Name:_____

Title:_____

SCHEDULE C TO FRANCHISE AGREEMENT

ADDENDUM TO LEASE

DATED _____ ("Lease")

BY AND BETWEEN _____ ("Landlord")

AND _____ ("Tenant or Franchisee")

RE: RIGHTS OF SOUTH BAY SOUP CORPORATION ("Company")

I. WHEREAS, Company and Tenant are parties to a certain Franchise Agreement dated _____ (the "Franchise Agreement"), pursuant to which Company has granted Franchisee a franchise and license to use the Phở Hòa® System and the Phở Hòa® Marks in operating a Phở Hòa® Restaurant on the terms and conditions stated in the Franchise Agreement; and

II. WHEREAS, Company has approved Franchisee's request to locate its Phở Hòa® Restaurant in certain premises ("Premises") owned by Landlord that is the subject of the Lease attached hereto as Schedule "A," provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. Assignment of Lease. Franchisee irrevocably assigns and transfers to Company all of Franchisee's right, title, and interest in and to the Lease and all options contained therein. This assignment may not be revoked without the prior written consent of Company. The parties acknowledge that, until Company accepts the assignment made by Franchisee, Company has no obligations, liabilities, or responsibilities under the Lease of any kind, including, without limitation, as a guarantor or indemnitor of Tenant's obligations to Landlord. Company's signature below does not create or impose any obligations upon Company.

B. Use of Property. The Premises shall be used solely for the operation of a Phở Hòa® Restaurant. Company may enter the Premises at any time to inspect Franchisee's operations and engage in all activities expressly permitted by the Franchise Agreement.

C. Default in Franchise Agreement. Franchisee's default under the Franchise Agreement for any reason shall constitute an event of default under the Lease, which can only be cured if the Franchise Agreement default is timely cured by Franchisee. For informational purposes only, Company shall serve Landlord with a copy of any notice of default, breach or termination of the Franchise Agreement at the same time it serves Franchisee with such notice. Nothing in this Addendum gives Landlord a right to cure the breach or default or succeed to Franchisee's rights under the Franchise Agreement.

D. Notices to Company. Landlord shall serve Company with a copy of any notice of default, breach or termination of Lease at the same time it serves Franchisee with such notice.

E. Incorporation by Reference. Landlord and Franchisee expressly incorporate the terms of this Addendum as part of the Lease.

F. Default by Franchisee. Landlord agrees not to terminate the Lease based on Franchisee's breach or default until it has given Company written notice identifying the breach or default and, a reasonable period of time, which shall be at least ten (10) days, to cure the breach or default. If Company chooses not to cure the breach or default, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy against Company. Company's decision not to cure the breach of default shall not prejudice Company's right to accept an assignment of the Lease following its termination by Landlord subject to the conditions stated in this Addendum.

G. Acceptance of Assignment by Company.

1. Company may accept the assignment of the Lease at any time before the Lease expires if: (a) Company terminates the Franchise Agreement for any reason, or (b) Landlord terminates the Lease based upon Franchisee's breach or default that has not been cured within the period (if any) allowed by the Lease. To accept the assignment, Company must give written notice to Landlord and Franchisee within 10 days after the termination of the Franchise Agreement or Lease (depending upon the event giving rise to Company's right to accept an assignment of the Lease).

2. With respect to an uncured breach or default under the Lease, the parties agree that if Company accepts an assignment, Company must fully cure a default arising out of Franchisee's failure to pay rent or other sums due to Landlord ("monetary default") before Company may occupy the Premises. However, if the default arises out of Franchisee's failure to perform any other type of obligation ("non-monetary default"), Company may occupy the Premises immediately upon accepting the assignment and shall thereafter have a reasonable period of time in light of the nature of the non-monetary default in which to cure the non-monetary default provided Company must act diligently to cure the non-monetary default as expediently as possible under the circumstances.

3. If Company accepts the assignment, at Company's election, from and after the date of acceptance: (i) Company shall have all of the rights of Franchisee under the Lease and Franchisee shall be deemed to be a sublessee of Company on the terms and conditions contained in this Lease; (ii) Company shall have the right to assign or sublet all of any part of its interest in the Lease or in the Premises to another Phở Hòa® franchisee without Landlord's prior consent; and (iii) Company shall be liable to perform only the obligations of Franchisee under the Lease arising from and after the date of Company's acceptance of the assignment and, except for curing a monetary or non-monetary default, shall have no other liability for obligations under the Lease arising before Company's acceptance of the assignment.

H. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Company, Landlord agrees not to (a) accept Franchisee's voluntary surrender of the Lease without prior notice to Company, or (b) amend the Lease without Company's prior written consent.

I. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or four (4) days after being sent by certified or registered mail, return receipt requested, if addressed as follows:

Company: South Bay Soup Corporation
2372 Maritime Drive
Elk Grove, CA 95758
Attn: President

Landlord: _____
_____
_____

Tenant: _____
_____
_____

Any party may change its address for receiving notices by appropriate written notice to the other.

J. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Company, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

K. WAIVER OF JURY TRIAL. LANDLORD, TENANT AND COMPANY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, TENANT OR COMPANY ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS ADDENDUM, THE RELATIONSHIP OF LANDLORD, TENANT AND COMPANY, THE USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE NOW OR HEREAFTER IN EFFECT.

[*Signature page follows*]

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of _____, _____.

COMPANY:	South Bay Soup Corporation By:_____ Name: _____ Its: _____
LANDLORD:	_____ By:_____ Name: _____ Its: _____
FRANCHISEE:	_____ By:_____ Name: _____ Its: _____

SCHEDULE D TO FRANCHISE AGREEMENT

FRANCHISEE'S COVERED PERSONS AS OF THE EFFECTIVE DATE

Name: _____

Mailing Address: _____

_____

Relationship to Franchisee: _____

Name: _____

Mailing Address: _____

_____

Relationship to Franchisee: _____

Name: _____

Mailing Address: _____

_____

Relationship to Franchisee: _____

Name: _____

Mailing Address: _____

_____

Relationship to Franchisee: _____

Name: _____

Mailing Address: _____

_____

Relationship to Franchisee: _____

SCHEDULE E

SPOUSAL CONSENT

The undersigned is the spouse of _____,

☐ The party identified as "Franchisee" in that certain Franchise Agreement dated _____ ("Franchise Agreement") by and between South Bay Soup Corporation ("Company") and Franchisee.

☐ _____, a Personal Guarantor who has entered into a Personal Guaranty of the obligations of _____, the Franchisee under that certain Franchise Agreement dated _____ ("Franchise Agreement") by and between South Bay Soup Corporation ("Company") and Franchisee.

I hereby give my consent to my spouse's execution of the Franchise Agreement, Personal Guaranty, or both, depending on the box or boxes that I have marked off, and I agree that the actions and the obligations undertaken by my spouse under the referenced contract(s) shall be binding on the marital community and any interest I may have in any rights awarded to my spouse.

I declare that I have had the opportunity to request a copy of, and fully and carefully read, the Franchise Agreement, Personal Guaranty, or both, depending on the box or boxes that I have marked off, and have furthermore had the opportunity to seek the advice of independent counsel with respect to this Consent.

Dated: _____

Signature of Spouse: _____

Print Name:_____

SCHEDULE F

COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, ADDRESSES, LISTINGS AND ASSUMED OR FICTITIOUS BUSINESS NAME

This Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name ("Assignment") is entered into this _____ day of _____, _____ ("Effective Date") in accordance with the terms of that certain Franchise Agreement ("Franchise Agreement") between the person(s) or entity identified on the signature block of this Assignment as "Franchisee" and **SOUTH BAY SOUP CORPORATION,** a California corporation, the entity identified on the signature block of this Assignment as "Company**.**"

This Assignment is being executed concurrently with the Franchise Agreement pursuant to which Company has granted Franchisee a franchise and license to use the Phở Hòa® System and Phở Hòa® Marks (which together are referred to in this Assignment as ("Company's IP")) in the operation of a Phở Hòa® Restaurant at a specific location ("Franchised Restaurant"). The Effective Date of this Assignment is the same as the Effective Date of the Franchise Agreement.

FOR VALUE RECEIVED, Franchisee hereby irrevocably and unconditionally assigns and transfers to Company all of Franchisee's right, title, and interest in and to those certain telephone numbers, addresses, domain names, locators, directories, listings, and assumed or fictitious business names (collectively, the "Numbers, Addresses, Listings and Names") that Franchisee has used or is using in connection with the operation of the Franchised Restaurant on the effective date of termination or expiration of the Franchise Agreement. This Assignment may not be revoked without the prior written consent of Company. The parties agree that this Assignment is for collateral purposes only and does not impose on Company any liability or obligation of any kind to Franchisee or any third party arising from or in connection with the operation of the Franchised Restaurant or Franchisee's acts or omissions. Company's execution of this Assignment does not create or impose any express or implied obligations upon Company pertaining to the Numbers, Addresses, Listings and Names used by Franchisee on or before the effective date of termination or expiration of the Franchise Agreement. Furthermore, nothing in this Assignment is intended to, or shall, modify Franchisee's indemnity agreement in the Franchise Agreement.

Upon termination or expiration of the Franchise Agreement (without renewal or extension) and in accordance with the requirements of the Franchise Agreement, Franchisee shall immediately cease using the Numbers, Addresses, Listings and Names and shall notify the telephone, Internet, email, electronic network, directory, and listing entities with which Franchisee has dealt (all such entities are collectively referred to herein as "Provider Companies") to effectuate the assignment and transfer of Franchisee's interest in the Numbers, Addresses, Listings and Names to Company pursuant to the terms of this Assignment. If Franchisee fails to do so, Franchisee agrees that this Assignment gives Company the absolute and unconditional authority to direct the Provider Companies on Franchisee's behalf to effectuate the assignment and transfer of the Numbers, Addresses, Listings and Names to Company upon termination or expiration of the Franchise Agreement. The parties agree that the Provider Companies may accept Company's written notice, the Franchise Agreement or this Assignment as conclusive proof of Company's exclusive rights in and to the Numbers, Addresses, Listings, and Names as of the effective date of termination or expiration of the Franchise Agreement. The parties further agree that, if the Provider Companies require that the parties execute the Provider Companies' own assignment forms or other transfer documents

following termination or expiration of the Franchise Agreement, Company's execution of those forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment.

By accepting the assignment of the Numbers, Addresses, Listings, and Names, Company shall not thereby become liable to the Provider Companies for any obligation of Franchisee pertaining to the period before the effective date of the assignment. Upon accepting an assignment, Company may, in Company's discretion, notify the Provider Companies to cancel any or all of the Numbers, Addresses, Listings, and Names without Company thereby becoming liable to the Provider Companies for Franchisee's obligations.

Franchisee hereby appoints Company as Franchisee's true and lawful attorney-in-fact to direct the Provider Companies to assign the Numbers, Addresses, Listings, and Names to Company, and to execute such documents and take such actions as may be necessary to effectuate the assignment.

The parties agree that at any time after the date of this Assignment they will perform all additional acts and execute and deliver any documents as may be necessary to assist in or accomplish the purpose of this Assignment described herein upon termination or expiration of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have signed this Assignment as of the Effective Date.

Company:	Franchisee:
_____	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

SCHEDULE G

CATERING ADDENDUM

CATERING ADDENDUM TO FRANCHISE AGREEMENT

This CATERING ADDENDUM TO FRANCHISE AGREEMENT ("**Addendum**") is made as of _____ ("**Addendum Effective Date**") by and between South Bay Soup Corporation, a California corporation ("**Company**"), and _____, a [Franchisee State] [Franchisee Entity Type] ("**Franchisee**" or "you").

RECITALS

A. Company and Franchisee are parties to, or are simultaneously executing, a Phở Hòa® Franchise Agreement ("**Franchise Agreement**") under which Company grants Franchisee certain rights to operate a Phở Hòa® Restaurant.

B. Company has developed, and intends to continue to develop, a catering program for Phở Hòa® Restaurants.

C. Franchisee wishes to offer catering services from the Franchised Restaurant, and Company is willing to permit Franchisee to offer such services on the terms and conditions set forth in this Addendum.

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

1. **Definitions.** Any capitalized term used but not defined in this Addendum has the meaning given to that term in the Franchise Agreement.

2. **Term.** The term of this Addendum shall commence on the Addendum Effective Date and continue through the earlier of (i) the termination of this Addendum; and (ii) the expiration or termination of the Franchise Agreement.

3. **Catering Program.**

a. Franchisee acknowledges and agrees that Franchisee's solicitation, acceptance and fulfillment of catering orders is subject to all of Company's standards, specifications, and policies applicable to catering services, as set forth in the Manual (the "**Catering Standards**"), and to Company's standards for the Phở Hòa® System. Company may revise its Catering Standards at any time, including without limitation additions, deletions and changes to: (i) quality standards; (ii) authorized products; (iii) authorized services (which may in the future include delivery of catering orders and provision of additional catering services by Franchisee or thirty-party service providers); (iv) equipment, smallwares and supplies required to provide catering services; and (v) approved suppliers. Company may permit exceptions to the Catering Standards, on a temporary or indefinite basis, in its sole discretion.

b. During the term of this Addendum, Franchisee shall be permitted to provide, and agrees to provide on an ongoing basis, catering services in accordance with the terms of this Addendum and the Catering Standards. Franchisee shall purchase and maintain any required equipment and an adequate inventory of supplies and smallwares required to offer catering services in compliance with the Catering Standards.

c. Before offering catering services, Franchisee must purchase from Company or its designated supplier an initial inventory of supplies and smallwares as specified in the Manual (the "**Catering Package**"), which currently includes trays, lunch boxes, noodle

containers, and bags. Company reserves the right to: (i) modify the Catering Package to add, delete or change items or approved suppliers.

d. Franchisee may solicit and accept catering orders only for menu items that Company has approved to be sold from the Franchised Restaurant (including, where applicable, items sold under the Jazen Tea® name and marks). Franchise acknowledges and agrees that another Phở Hòa® Restaurant may be permitted to offer certain menu items for catering orders that Franchisee is not authorized to offer or provide from the Franchised Restaurant.

e. Franchisee shall utilize the point-of-sale ordering and payment systems designated by Company for the Franchised Restaurant for all catering orders, and shall ensure that all catering orders are accurately and completely reflected in those systems.

f. For the avoidance of doubt, all proceeds from catering orders and services provided by Franchisee shall be included in Gross Sales, and Franchisee shall pay to Company with respect to such amounts all Royalty Fees, Marketing Fees and any other fees due under the Franchise Agreement.

g. The parties acknowledge and agree that, at this time, subject to compliance with the Catering Standards, (i) Franchisee may offer and provide catering services to customers regardless of a customer's location within or outside the Territory; and (ii) Company, its affiliates, and other Phở Hòa® franchisees may be permitted to offer and provide catering services to customers within or outside of the Territory, regardless of their proximity to the Authorized Location. Company reserves the right to limit the geographic area in which Franchisee and/or others can service catering customers through any permitted delivery methods. Franchisee acknowledges and agrees that if Company restricts catering areas in the future, any catering area offered to Franchisee may be different than the Territory.

4. **Termination.**

a. A default under this Addendum shall be a default under the Franchise Agreement. Should Franchisee breach, or refuse to fulfill or perform, any obligation arising under this Addendum, Company may terminate the Franchise Agreement in accordance with its terms as though such obligation were directly included in the Franchise Agreement.

b. Should Franchisee breach, or refuse to fulfill or perform, any obligation arising under this Addendum, including any failure or refusal to adhere to the Catering Standards, Company may, in its sole discretion and instead of terminating the Franchise Agreement, elect to terminate this Addendum, effective at the close of business 30 days (10 days in the case of non-payment) after giving written notice of default to Franchisee which specifies the grounds of default, if Franchisee fails to cure the default cited in the notice. Company may indicate its decision to terminate this Addendum by written notice given to Franchisee any time before, or after, the end of the applicable cure period.

5. **Miscellaneous.**

a. Full Force and Effect. Except as expressly set forth in this Addendum, the Franchise Agreement is in full force and effect as written. Any inconsistency between the Franchise Agreement and this Addendum shall be interpreted in a manner consistent with this Addendum.

b. Construction. The Section headings used in this Addendum are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Addendum. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party.

c. Counterparts. This Addendum may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

d. Electronic Signatures. The parties accept the use of an electronic signature in lieu of a manual signature and agree that an electronic signature will be binding on a party to the same extent as if the party signed this Addendum manually.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the Addendum Effective Date.

Company:	Franchisee:
South Bay Soup Corporation, a California corporation	**[Franchisee Name],** a [Franchisee State] [Franchisee entity Type]
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

SCHEDULE H

SBA ADDENDUM

SBA ADDENDUM TO FRANCHISE AGREEMENT
(applicable only if Franchisee obtains SBA-guaranteed financing)

This SBA ADDENDUM TO FRANCHISE AGREEMENT ("**Addendum**") is made as of _____ ("**Addendum Effective Date**") by and between South Bay Soup Corporation, a California corporation ("**Company**"), and _____, a [Franchisee State] [Franchisee Entity Type] ("**Franchisee**" or "you").

RECITALS

A. Company and Franchisee are parties to, or are simultaneously executing, a Phở Hòa® Franchise Agreement ("**Franchise Agreement**") under which Company grants Franchisee certain rights to operate a Phở Hòa® Restaurant.

B. Franchisee wishes to obtain financing guaranteed by the Small Business Administration ("**SBA**") in connection with the Franchised Restaurant, requiring certain SBA-mandated modifications to the Franchise Agreement.

C. Company and Franchisee wish to amend the Franchise Agreement in accordance with the terms and conditions of this Addendum.

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

1. **Definitions.** Any capitalized term used but not defined in this Addendum has the meaning given to that term in the Franchise Agreement.

2. **Transfers.**

a. Company's Right of First Refusal. Section XIX.C of the Franchise Agreement is hereby amended to add the following as a new section XIX.C.5:

> 5. Notwithstanding the foregoing, Company may not exercise its right to purchase or acquire the rights, assets, or Ownership Interests under this Section XIX if the proposed transferee is a current owner of Franchisee or the spouse, child, or sibling of a current owner of Franchisee.

b. Conditions of Assignment to Third Party. The first sentence of Section XIX.F.1 of the Franchise Agreement is hereby deleted in its entirety and replaced with the following:

> If Company does not exercise its right of first refusal, Franchisee may not complete the Event of Transfer without Company's prior written consent, which Company will not unreasonably withhold.

3. **Premises.**

a. If Franchisee's owner or affiliate owns the premises of the Franchised Restaurant and Franchisee leases the premises, Franchisor shall have the right to accept an assignment of the Lease under Section XVIII.A.3 of the Franchise Agreement. Company's right to accept an assignment of the Lease will not be recorded against the real estate. For clarity, the parties acknowledge that neither Franchisee, nor its owner or affiliate, will be required to sell the premises to Company upon termination of the Franchise Agreement.

b. If Franchisee owns the premises of the Franchised Restaurant: (i) Company will not record against the real estate any restrictions on the use of the property (including any restrictive covenants, branding covenants or environmental indemnification, control or use restrictions); and (ii) if any such restrictions are currently recorded by Company against Franchisee's real estate, such restrictions will be removed to permit Franchisee to obtain SBA-guaranteed financing.

c. If Franchisee owns the premises of the Franchised Restaurant, any attornment language contained in the Addendum to Lease shall be amended to subordinate Company's right to accept an assignment of the Lease to any SBA financial assistance.

4. **Payments.** Except with respect to regularly scheduled payments or as otherwise authorized under the Franchise Agreement, Company does not have the authority to unilaterally share, commingle, or withdraw funds from Franchisee's bank account.

5. **Miscellaneous.**

a. Full Force and Effect. Except as expressly set forth in this Addendum, the Franchise Agreement is in full force and effect as written. Any inconsistency between the Franchise Agreement and this Addendum shall be interpreted in a manner consistent with this Addendum.

b. Construction. The Section headings used in this Addendum are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Addendum. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party.

c. Counterparts. This Addendum may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

d. Electronic Signatures. The parties accept the use of an electronic signature in lieu of a manual signature and agree that an electronic signature will be binding on a party to the same extent as if the party signed this Addendum manually.

e. Termination of Addendum. This Addendum shall terminate automatically when SBA no longer has any interest in any SBA-backed financing provided to the Franchisee.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the Addendum Effective Date.

Company:	Franchisee:
South Bay Soup Corporation, a California corporation	**[Franchisee Name],** a [Franchisee State] [Franchisee entity Type]
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXHIBIT D

FRANCHISE APPLICATION

PHỞ HÒA® FRANCHISE

TO: South Bay Soup Corporation
2372 Maritime Drive
Elk Grove, California 95758
ATTENTION: President

1. I, either for myself or for the entity identified below on whose behalf I represent to you I am authorized to act, hereby apply to purchase a Phở Hòa® franchise on the terms and conditions set forth in the documents applicable to my investment attached to the South Bay Soup Corporation Franchise Disclosure Document ("Phở Hòa® FDD"), a copy of which I acknowledge that I received as set forth below.

2. Accompanying this application is my payment of $500 for the application fee which accompanies all applications and, which I understand you will credit to the Initial Franchise Fee payable under the Phở Hòa® Franchise Agreement if my application is accepted and I decide to purchase a Phở Hòa® franchise. I understand that my $500 application fee is non-refundable.

3. I understand and agree that in order to be approved as a Phở Hòa® franchisee I must, in your sole judgment and discretion, satisfy the standards that you deem relevant for new Phở Hòa® franchisees, demonstrate that I possess the requisite character, business experience and credit worthiness and that I meet minimum financial requirements. I understand that evaluation of my application and supporting credentials is a subjective process and left to your sole and absolute discretion, and that you may consider all aspects of my character, experience and background that you deem relevant.

4. I submit together with this application all documentation required by you supporting my business experience and personal, financial, and credit history. I understand that you have the right to request additional information and the names of references to support my application. I further understand that my application shall not be complete until you receive all requested information. The information set forth in this application and in all supporting documentation is, or when submitted will be, true and complete.

5. I understand that you shall have 30 days from the date my application is complete to approve my application. I acknowledge that you have sole and absolute discretion to accept my application or reject it. If my application is rejected, I agree that I will have no claim against you arising out of this application or my dealings with you pertaining to the Phở Hòa® franchise opportunity.

6. If my application is approved to purchase a Phở Hòa® franchise, I understand that my application fee shall be fully credited toward the Initial Franchise Fee when I sign the Franchise Agreement as further explained in the Phở Hòa® FDD. The amount of the Initial Franchise Fee is explained in the Phở Hòa® FDD. I understand that your approval of my application may be conditioned upon my signing all required contracts by no later than the date that you specify, which shall be at least 14 days from the date that you notify me that you have

approved my application. If I do not execute all required agreements by the date that you specify, I understand that I will thereafter have no right to purchase a franchise and that you will not be obligated to enter into a Phở Hòa® Franchise Agreement with me.

7. I understand that I may withdraw my application at any time, even after my application is approved, but before I sign the Phở Hòa® Franchise Agreement and other required contracts, upon written notice to you. Should I do so, neither one of us shall have any further obligation to the other and I shall have no claim against you arising out of this application or my dealings with you pertaining to the Phở Hòa® franchise opportunity.

8. I understand that my rights under this application are not transferable or assignable by me or by operation of law.

APPLICANT MUST COMPLETE THE FOLLOWING	
PRINT NAME OF APPLICANT:	
IF APPLICANT IS AN ENTITY, PRINT STATE OF INCORPORATION OR FORMATION:	
SIGNATURE OF APPLICANT OR PERSON EXECUTING THIS APPLICATION ON BEHALF OF APPLICANT:	
PRINT NAME OF PERSON SIGNING THIS APPLICATION:	
IF EXECUTING THIS APPLICATION ON BEHALF OF AN ENTITY, PRINT TITLE:	
DATE OF EXECUTION:	

RECEIPT OF APPLICATION AND DEPOSIT IS ACKNOWLEDGED ON: _____

South Bay Soup Corporation

By:_____
Name:_____
Title:_____

EXHIBIT E

LEASE ADDENDUM

ADDENDUM ("Addendum") TO LEASE DATED _____ ("Lease")

BY AND BETWEEN _____ ("Landlord")

AND _____ ("Tenant or Franchisee")

RE: RIGHTS OF SOUTH BAY SOUP CORPORATION ("Company")

I. WHEREAS, Company and Tenant are parties to a certain Franchise Agreement dated _____ (the "Franchise Agreement"), pursuant to which Company has granted Franchisee a franchise and license to use the Phở Hòa® System and the Phở Hòa® Marks in operating a Phở Hòa® Restaurant on the terms and conditions stated in the Franchise Agreement; and

II. WHEREAS, Company has approved Franchisee's request to locate its Phở Hòa® Restaurant in certain premises ("Premises") owned by Landlord which are the subject of the Lease attached hereto as Exhibit "A," provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. Assignment of Lease. Franchisee irrevocably assigns and transfers to Company all of Franchisee's right, title, and interest in and to the Lease and all options contained therein. This assignment may not be revoked without the prior written consent of Company. The parties acknowledge that, until Company accepts the assignment made by Franchisee, Company has no obligations, liabilities, or responsibilities under the Lease of any kind, including, without limitation, as a guarantor or indemnitor of Tenant's obligations to Landlord. Company's signature below does not create or impose any obligations upon Company.

B. Use of Property. The Premises shall be used solely for the operation of a Phở Hòa® Restaurant. Company may enter the Premises at any time to inspect Franchisee's operations and engage in all activities expressly permitted by the Franchise Agreement.

C. Default in Franchise Agreement. Franchisee's default under the Franchise Agreement for any reason shall constitute an event of default under the Lease, which can only be cured if the Franchise Agreement default is timely cured by Franchisee. For informational purposes only, Company shall serve Landlord with a copy of any notice of default, breach or termination of the Franchise Agreement at the same time it serves Franchisee with such notice. Nothing in this Addendum gives Landlord a right to cure the breach or default or succeed to Franchisee's rights under the Franchise Agreement.

D. Notices to Company. Landlord shall serve Company with a copy of any notice of default, breach or termination of Lease at the same time it serves Franchisee with such notice.

E. Incorporation by Reference. Landlord and Franchisee expressly incorporate the terms of this Addendum as part of the Lease.

F. Default by Franchisee. Landlord agrees not to terminate the Lease based on Franchisee's breach or default until it has given Company written notice identifying the breach or default and, a reasonable period of time, which shall be at least ten (10) days, to cure the

breach or default. If Company chooses not to cure the breach or default, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy against Company. Company's decision not to cure the breach of default shall not prejudice Company's right to accept an assignment of the Lease following its termination by Landlord subject to the conditions stated in this Addendum.

G. Acceptance of Assignment by Company.

1. Company may accept the assignment of the Lease at any time before the Lease expires if: (a) Company terminates the Franchise Agreement for any reason, or (b) Landlord terminates the Lease based upon Franchisee's breach or default which has not be cured within the period (if any) allowed by the Lease. To accept the assignment, Company must give written notice to Landlord and Franchisee within 10 days after the termination of the Franchise Agreement or Lease (depending upon the event giving rise to Company's right to accept an assignment of the Lease).

2. With respect to an uncured breach or default under the Lease, the parties agree that if Company accepts an assignment, Company must fully cure a default arising out of Franchisee's failure to pay rent or other sums due to Landlord ("monetary default") before Company may occupy the Premises. However, if the default arises out of Franchisee's failure to perform any other type of obligation ("non-monetary default"), Company may occupy the Premises immediately upon accepting the assignment and shall thereafter have a reasonable period of time in light of the nature of the non-monetary default in which to cure the non-monetary default provided Company must act diligently to cure the non-monetary default as expediently as possible under the circumstances.

3. If Company accepts the assignment, at Company's election, from and after the date of acceptance: (a) Company shall have all of the rights of Franchisee under the Lease and Franchisee shall be deemed to be a sublessee of Company on the terms and conditions contained in this Lease; (b) Company shall have the right to assign or sublet all of any part of its interest in the Lease or in the Premises to another Phở Hòa® franchisee without Landlord's prior consent; and (c) Company shall be liable to perform only the obligations of Franchisee under the Lease arising from and after the date of Company's acceptance of the assignment and, except for curing a monetary or non-monetary default, shall have no other liability for obligations under the Lease arising before Company's acceptance of the assignment.

H. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Company, Landlord agrees not to (1) accept Franchisee's voluntary surrender of the Lease without prior notice to Company, or (2) amend, extend, renew, or cancel the Lease without Company's prior written consent.

I. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or 4 days after being sent by certified or registered mail, return receipt requested, if addressed as follows:

Company: South Bay Soup Corporation

_____

_____

Attn: President

Landlord: _____
_____
_____

Tenant: _____
_____
_____

Any party may change its address for receiving notices by appropriate written notice to the other.

J. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Company, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

K. WAIVER OF JURY TRIAL. LANDLORD, TENANT AND COMPANY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, TENANT OR COMPANY ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS ADDENDUM, THE RELATIONSHIP OF LANDLORD, TENANT AND COMPANY, THE USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE NOW OR HEREAFTER IN EFFECT.

[Signature page follows]

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of _____, _____.

COMPANY: South Bay Soup Corporation

By:_____

Name:_____

Title:_____

LANDLORD:

_____

By:_____

Name:_____

Title:_____

FRANCHISEE:

_____

By:_____

Name:_____

Title:_____

EXHIBIT F

GENERAL RELEASE

This GENERAL RELEASE ("Release") is made this _____day of _____, _____, by ("Releasor"), with reference to the following facts:

A. The undersigned, Releasor:

[COMPLETE AND CHECK APPROPRIATE BOX OR BOXES]

☐ is the Franchisee under, and signatory to, one or more Franchise Agreements entered into by and between South Bay Soup Corporation ("Company") and Releasor, as Franchisee, and each one permits Releasor to use the Phở Hòa® System and the Phở Hòa® Marks to operate one Phở Hòa® Restaurant at a specific location.

☐ is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of the party (hereinafter "Releasor") identified above.

B. This Release is being executed pursuant to the requirements of the Franchise Agreement as a condition of the rights granted by Company to Releasor, and for other good and valuable consideration, the receipt of which is acknowledged by the parties.

NOW, THEREFORE, RELEASOR AGREES AS FOLLOWS:

1. General Release.

Releasor, for itself, himself or herself, and, if applicable, additionally, for Releasor's Affiliates, if any, and for each of their respective officers, directors, shareholders, members, managers, trustees, partners, employees, attorneys, heirs and successors (Releasor and such other persons are collectively referred to as the "Releasing Parties"), hereby release and forever discharge Company, Company's Affiliates, and their respective officers, directors, shareholders, agents, employees, representatives, attorneys, successors and assigns (collectively the "Released Parties"), and each of them, from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which any of the Releasing Parties ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as "Claims"). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with any agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, none of the Releasing Parties shall have any claim of any kind or nature whatsoever against the Released Parties, directly or indirectly, or by reason of any matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release. The terms, "Company's Affiliates" and "Releasor's Affiliates," respectively include every entity that controls, is controlled by, or is under common control with Company or Releasor.

2. Waiver of Civil Code Section 1542.

This Release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor or any of the other Releasing Parties against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for itself, himself or herself, for each of the other Releasing Parties hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Releasor or any of the Releasing Parties would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereinafter existing under the laws of California or any other applicable federal and state law with jurisdiction over the parties' relationship. Releasor, for itself, himself or herself, for each of the other Releasing Parties, acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

> "A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. Releasor acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release.

3. COMAR 02.02.08.16L. Pursuant to COMAR 02.02.08.16L, this Release, when required as a condition of renewal, sale, termination, and/or assignment/transfer in connection with a franchise business located in the State of Maryland, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Washington Law. A release or waiver of rights executed by a franchisee who is a resident of Washington, or who is a nonresident of Washington but operates a franchise, wholly or partly, in Washington, shall not include rights that arise under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder. A release or waiver executed by any person pursuant to a negotiated settlement in connection with a bona fide dispute between a franchisee and a franchisor, arising after their franchise agreement has taken effect, in which the person giving the release or waiver is represented by independent legal counsel, is not a prohibited agreement.

5. Dispute Resolution. Releasor agrees to be bound by the dispute resolution provisions attached as **Schedule A** to this Release, which are incorporated herein by this reference.

6. Release Not Admission. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be

construed as an admission of any liability by Company or an admission of the validity of any claims made by or against Company.

7. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

8. No Prior Assignments. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

9. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Release.

IN WITNESS WHEREOF, Releasor has executed this Release on the date first shown above.

Releasor: _____

[IF APPLICABLE]

By: _____

Its: _____

Company executes this Release to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule A.**

South Bay Soup Corporation

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE A

DISPUTE RESOLUTION

1. Agreement to Mediate Disputes. Except as provided in Section 2 of this Exhibit A, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to a mediation proceeding conducted in accordance with the procedures stated in this **Schedule A**.

(a) The mediation proceeding shall be conducted pursuant to the mediation rules of JAMS ("the Mediation Service"). Either party may initiate the mediation proceeding (the "Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party (the "Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediation will be conducted by a single mediator, with the parties giving preference, if at all possible to either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the Mediation Service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or the undersigned is the Initiating Party, the mediation shall be conducted at Company's headquarters, unless otherwise required by Applicable Law.

(e) The parties shall participate in good faith in the entire mediation proceeding, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree, however, that the mediator's recommendations, if any, shall not be binding on the parties.

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection (h), and informs the parties in writing that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) Notwithstanding subsection (g), the parties agree that the mediation conference shall continue for at least 8 hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than 8 hours.

(h) If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement, including, without limitation, for breaching the conditions of subsection (h), the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (aa) the mediator's fees and costs, (bb) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (cc) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (cc), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(i) At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

(j) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment under applicable federal and state laws or rules of evidence; provided, however, that evidence otherwise discoverable or admissible shall not be rendered undiscoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

(a) Any claim where the amount of damages sought is $10,000 or less.

(b) Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this Exhibit A.

(c) Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

3. Judicial Relief.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this **Schedule A** expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Laws, the undersigned waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this **Schedule A**, and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this **Schedule A**.

(c) The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this **Schedule A**.

(d) In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery, including, in the case of Company, the right to conduct forensic examination of Releasor's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each party may conduct discovery on an expedited basis.

4. WAIVER OF JURY TRIAL. COMPANY AND RELEASOR EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR RELEASOR ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS EXHIBIT A, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PHO HOA® MARKS OR THE PHO HOA® SYSTEM BY RELEASOR, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

5. Choice of Law. Except as otherwise provided in this **Schedule A**, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

6. Punitive or Exemplary Damages. Company and Releasor, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

7. Attorneys' Fees.

(a) Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

(b) Company shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

8. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) 90 days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Notwithstanding the foregoing, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

9. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become,

involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of a judge in any proceeding or action in which either Company and Franchisee, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

10. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

SCHEDULE A

All of the following provisions are incorporated by reference into the attached documents:

Ownership of Debtor

Name	Address	Percentage of Ownership
Total		**100%**

Notices

Debtor: _____
_____
_____
Attn: _____

Guarantor: _____
_____
_____
Attn: _____

Company: South Bay Soup Corporation
2372 Maritime Drive
Elk Grove, California 95758
ATTENTION: President

SCHEDULE B

DISPUTE RESOLUTION

1. Agreement to Mediate Disputes. Except as provided in Section 2 of this **Schedule B**, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to a mediation proceeding conducted in accordance with the procedures stated in this **Schedule B**.

(a) The mediation proceeding shall be conducted pursuant to the mediation rules of JAMS (the "Mediation Service"). Either party may initiate the mediation proceeding (the "Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party (the "Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediation will be conducted by a single mediator, with the parties giving preference, if at all possible to either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the Mediation Service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or the undersigned is the Initiating Party, the mediation shall be conducted at Company's headquarters, unless otherwise required by Applicable Law.

(e) The parties shall participate in good faith in the entire mediation proceeding, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree, however, that the mediator's recommendations, if any, shall not be binding on the parties.

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection (h), and informs the parties in writing that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) Notwithstanding subsection (g), the parties agree that the mediation conference shall continue for at least 8 hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than 8 hours.

(h) If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement, including, without limitation, for breaching the conditions of subsection (h), the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (aa) the mediator's fees and costs, (bb) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (cc) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (cc), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(i) At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

(j) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment under applicable federal and state laws or rules of evidence; provided, however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

(a) Any claim where the amount of damages sought is $10,000 or less.

(b) Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this **Schedule B**.

(c) Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

3. Judicial Relief.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this **Schedule B** expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Laws, the undersigned waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this **Schedule B**, and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this **Schedule B**.

(c) The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this **Schedule B**.

(d) In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery, including, in the case of Company, the right to conduct forensic examination of Guarantor's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each party may conduct discovery on an expedited basis.

4. WAIVER OF JURY TRIAL. COMPANY AND GUARANTOR EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR GUARANTOR ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS **SCHEDULE B**, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PHO HOA® MARKS OR THE PHO HOA® SYSTEM BY GUARANTOR, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

5. Choice of Law. Except as otherwise provided in this **Schedule B**, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

6. Punitive or Exemplary Damages. Company and Guarantor, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

7. Attorneys' Fees.

(a) Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

(b) Company shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

8. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) 90 days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Notwithstanding the foregoing, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

9. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become,

involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of a judge in any proceeding or action in which either Company and Franchisee, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

10. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

EXHIBIT G

CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("AGREEMENT")

WHEREAS, the undersigned:

CHECK AND COMPLETE APPROPRIATE BOX:

☐ is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of _____, the Franchisee under, and signatory to, that certain Franchise Agreement dated _____ ("Franchise Agreement") entered into with South Bay Soup Corporation ("Company") granting Franchisee the right to own and operate one Phở Hòa® Restaurant on the terms and conditions stated in the Franchise Agreement.

☐ [if none of the above categories applies to the undersigned] is associated in the following capacity with Franchisee named above: _____

WHEREAS, the undersigned acknowledges that, in order to induce Company to enter into the Franchise Agreement, Franchisee must cause certain persons owning an interest in, or who are employed by or associated with, Franchisee to execute this Confidentiality and Non-Disclosure and Non-Competition Agreement ("Agreement") for the benefit of Company.

NOW, THEREFORE, the undersigned, having read this Agreement and understanding its terms, hereby agrees as follows:

1. Definitions.

a. "Confidential Information" includes, without limitation, any information or knowledge concerning the: (i) ingredients, raw materials, recipes and food preparation processes for Proprietary Products, Non-Proprietary Products and other merchandise and services sold at Phở Hòa® Restaurants; (ii) Company's supply relationships; (iii) sales, profit performance or other results of operations of any Phở Hòa® Restaurant, including Phở Hòa® Restaurants owned and operated by Company's Affiliates or Company's Affiliates' licensees; (iv) demographic data for determining sites and territories; (v) the results of surveys and promotional programs; (vi) information pertaining to any proprietary computer system and software applications that Company requires Franchisee to use; and (vii) in general, methods, trade secrets, specifications, customer data, pricing and cost data, procedures, information systems, ideas, research, methods and knowledge about the operation of Phở Hòa® Restaurants or the Phở Hòa® System or the Phở Hòa® Marks, whether it is now known or exists or is acquired or created in the future, and whether or not the information is included in the Manual, the subject of registration or copyright (or suitable for registration or copyright), or information which Company expressly designates as Confidential Information. Any information or knowledge that Company designates to be confidential shall be treated as "Confidential Information" for purposes of this Agreement. Confidential Information does not include (y) information which Franchisee can demonstrate came to its attention independent of purchasing a Phở Hòa® franchise and before Company's disclosure of the information in the Manual or otherwise, and (z) information that Company agrees is, or has become, generally known in the public domain, except where public knowledge is the result of Franchisee's wrongful disclosure whether or not deliberate or inadvertent.

b. "Competitive Business" means any business that, in its entirety, in Company's judgment, so resembles the trade dress, service style and menu items that comprise the distinguishing features of the Phở Hòa® System as to create a likelihood of consumer confusion or dilution of the Phở Hòa® Marks.

c. "Covered Area" means anywhere within a 10 mile radius measured from: (i) the Authorized Location, and (ii) the Authorized Location of every other Phở Hòa® Restaurant located anywhere in the world regardless of whether the Phở Hòa® Restaurant opens before or after the Effective Date of Termination or Expiration of this Agreement or is owned by another franchisee, Company, Company's Affiliates or Company's Affiliates' licensees.

d. "Covered Person" means (i) the individual executing this Agreement as Franchisee; (ii) each officer, director, Primary Owner, manager (of a Business Entity that is a LLC), trustee or general partner of Franchisee and each Franchisee Affiliates if Franchisee is a Business Entity; and (iii) the spouse, adult children, parents or siblings of the individuals included in (i) and (ii). Franchisee represents that **Exhibit D** is a true and complete list of the Covered Persons as of the Effective Date.

2. Nondisclosure of Confidential Information.

a. The undersigned agrees not to disclose, duplicate, sell, reveal, divulge, publish, furnish or communicate, either directly or indirectly, any Confidential Information to any other person, firm or entity, unless authorized in writing by Company.

b. The undersigned agrees not to use any Confidential Information for his or her own personal gain or to further the purposes of others, whether or not the Confidential Information has been conceived, originated, discovered or developed, in whole or in part, by the undersigned or represents the undersigned's work product. To the extent the undersigned has assisted in the preparation of any information that Company considers Confidential Information or has prepared or created such information by himself or herself, the undersigned hereby assigns any rights that he or she may have in such information as creator to Company, including all ideas made or conceived by the undersigned.

c. The undersigned acknowledges that the use, publication or duplication of the Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by the undersigned.

d. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding, provided the undersigned shall have used its best efforts, and shall have afforded Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

3. Return of Proprietary Materials.

Upon expiration or termination of the Franchise Agreement, the undersigned shall surrender to Franchisee, or, if directed by Company, directly to Company, all materials in the possession of the undersigned relating or concerning any Confidential Information. The

undersigned expressly acknowledges that such materials shall be and remain the sole property of Company.

4. Agreements Regarding Competition.

a. For as long as Franchisee is a party to any Franchise Agreement with Company, the undersigned agrees that he or she shall not, directly or indirectly, own, engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business; provided, however, the restrictions stated in this paragraph shall not apply to the undersigned after two (2) years from the date that the undersigned ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

b. For a period of two (2) years after the Effective Date of Termination or Expiration of the Franchise Agreement or an event of transfer as defined in the Franchise Agreement, whichever occurs first, the undersigned agrees that it, he or she shall not, directly or indirectly, own, engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business; provided, however, the restrictions stated in this paragraph shall not apply to the undersigned after two (2) years from the date that the undersigned ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

c. This Agreement does not prohibit the undersigned from owning five percent (5%) or less of the voting stock of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

d. The parties acknowledge that the undersigned may engage in any activities not expressly prohibited by this Agreement. However, in connection with permitted activities, the undersigned shall not (i) use the Confidential Information or any of the Phở Hòa® Marks for any purpose not authorized by the Franchise Agreement; (ii) engage in any conduct or activity which suggests or implies that Company endorses, or authorizes, the undersigned's activities; or (iii) induce any person to engage in conduct prohibited by this Agreement.

5. Interference.

The undersigned agrees not to, directly or indirectly, for itself or on behalf of any other person, divert, or attempt to divert, any business or customer of any Phở Hòa® Restaurant to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Phở Hòa® Marks or the Phở Hòa® System.

6. Irreparable Harm to Company.

a. The undersigned acknowledges and agrees that Company will suffer irreparable injury not capable of precise measurement in monetary damages if it discloses or misuses any Confidential Information, or if the undersigned breaches the covenants set forth in this Agreement. Accordingly, in the event of a breach of this Agreement by the undersigned, the undersigned consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment,

appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted.

b. The undersigned agrees that the award of equitable remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

7. Survival.

The agreements made by the undersigned shall apply forever, surviving the expiration or termination of all contracts between Company and Franchisee.

8. Validity; Conformity With Applicable Law.

a. Wherever possible, each provision of this Agreement shall be interpreted in a manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited thereunder, the provision shall be ineffective only to the extent of the prohibition or invalidity without invalidating the remainder of this Agreement.

b. The undersigned acknowledges that pursuant to the dispute resolution provisions set forth in Schedule A, the parties adopt California law as the governing law of this Agreement. However, they further agree that if any provision of this Agreement is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of any state having jurisdiction over the undersigned (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement regarding competition, but only with respect to the subjects covered in this paragraph 8.

9. Dispute Resolution.

The parties adopt and incorporate by reference as part of this Agreement the Dispute Resolution provisions set forth in **Schedule A** attached hereto.

10. Miscellaneous.

a. Any waiver granted to the undersigned by Company excusing or reducing any obligation or restriction imposed under this Agreement shall be evidenced by a writing executed by Company in order to be effective and shall only be effective to the extent specifically allowed in such writing. No waiver granted by Company shall constitute a continuing waiver. Any waiver granted by Company shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in exercising any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

b. This Agreement sets forth the entire agreement made by the undersigned pertaining to the subject matter hereof, fully superseding any and all prior agreements or understandings that may exist between the undersigned and Company or Franchisee pertaining to such subject matter. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on the undersigned unless it is set forth in writing and duly executed by the undersigned and Company.

c. This Agreement shall be binding on the undersigned's heirs, executors, successors and assigns as though originally executed by such persons.

d. The parties agree that all capitalized terms in this Agreement are intended to have, and are assigned, the same meaning given to them in the Franchise Agreement between Company and Franchisee, and the parties hereby incorporate such definitions in this Agreement. Solely for ease of reference, the definitions of Confidential Information, Competitive Business, Covered Area and Covered Person that appear in the Franchise Agreement are reprinted in this Agreement.

11. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the undersigned has entered into this Agreement as of the date shown above the undersigned's signature.

Dated:_____ By:_____

Print Name:_____

Company executes this Agreement to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule A**.

COMPANY:

SOUTH BAY SOUP CORPORATION
a California corporation

By:_____

Name:_____

Title:_____

FRANCHISEE:

_____

By:_____

Name:_____

Title:_____

SCHEDULE A

DISPUTE RESOLUTION

1. Agreement to Mediate Disputes. Except as provided in Section 2 of this **Schedule A**, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to a mediation proceeding conducted in accordance with the procedures stated in this **Schedule A**.

(a) The mediation proceeding shall be conducted pursuant to the mediation rules of JAMS ("the Mediation Service"). Either party may initiate the mediation proceeding (the "Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party (the "Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediation will be conducted by a single mediator, with the parties giving preference, if at all possible to either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the Mediation Service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or the undersigned is the Initiating Party, the mediation shall be conducted at Company's headquarters, unless otherwise required by Applicable Law.

(e) The parties shall participate in good faith in the entire mediation proceeding, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree, however, that the mediator's recommendations, if any, shall not be binding on the parties.

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection (h), and informs the parties in writing that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) Notwithstanding subsection (g), the parties agree that the mediation conference shall continue for at least 8 hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than 8 hours.

(h) If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement, including, without limitation, for breaching the conditions of subsection (h), the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (aa) the mediator's fees and costs, (bb) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (cc) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (cc), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(i) At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

(j) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment under applicable federal and state laws or rules of evidence; provided, however, that evidence otherwise discoverable or admissible shall not be rendered undiscoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

(a) Any claim where the amount of damages sought is $10,000 or less.

(b) Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this **Schedule A**.

(c) Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

3. Judicial Relief.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this **Schedule A** expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Laws, the undersigned waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this **Schedule A**, and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this Schedule A.

(c) The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this **Schedule A**.

(d) In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery, including, in the case of Company, the right to conduct forensic examination of Franchisee's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each party may conduct discovery on an expedited basis.

4. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS **SCHEDULE A**, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PHO HOA® MARKS OR THE PHO HOA® SYSTEM BY FRANCHISEE, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

5. Choice of Law. Except as otherwise provided in this **Schedule A**, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

6. Punitive or Exemplary Damages. Company and Franchisee, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

7. Attorneys' Fees.

(a) Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

(b) Company shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

8. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) 90 days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Notwithstanding the foregoing, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

9. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become,

involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of a judge in any proceeding or action in which either Company and Franchisee, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

10. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

EXHIBIT H

STATE-REQUIRED ADDENDA

Certain states require a franchisor to register with a state agency in order to offer or sell franchises to residents of the state or for franchises to be operated in the state. These states are: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, VIRGINIA, WASHINGTON and WISCONSIN.

As a condition of registration in certain of these states, a franchisor must disclose additional information required by the state. In some of the states, you must sign an amendment to the Franchise Agreement. This exhibit includes all of the additional state-specific disclosures and Addendum to Franchise Agreement forms.

The following statement applies only to prospective franchisees who are residents of, or are entering a franchise agreement for a location in, the above-listed states:

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.

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED WITH THE FRANCHISE DISCLOSURE DOCUMENT.

1. In addition to the information disclosed in Item 3:

Neither the Company nor any person identified in Item 2 of this Franchise 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. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

2. In addition to the information disclosed in Item 17:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

b. 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.).

c. 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.

d. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

e. SECTION 31125 OF THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

f. The Franchise Agreement requires that all disagreements be resolved first by non-binding mediation, and if that process does not result in resolution, by litigation. The mediation will occur at Company's offices, presently located in Elk Grove, California. The cost of mediation will be shared equally unless one party breaches the mediation provision, in which case the breaching party must pay the mediator's fees and costs, the non-breaching party's fees and costs, and to the extent permitted by law, the non-breaching party's attorneys' fees and costs in any suit arising out of the same dispute even if the breaching party is the prevailing party. This provision may not be enforceable under California law.

g. The California Franchise Investment Law requires us to make the following disclosure:

(1) "YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A PROSPECTIVE WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTION 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A PROSPECTIVE WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043)."

(2) OUR WEBSITE IS WWW.PHOHOA.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT WWW.DFPI.CA.GOV.

3. The Franchise Agreement limits the time period within which you must commence an action against us. This provision may not be enforceable under California law.

4. The Franchise Agreement gives us the right at any time to modify or discontinue licensing any of the Phở Hòa® Marks or add new names, marks, designs, logos or commercial symbols to the Phở Hòa® Marks and require you to use them at your sole expense.

5. If you are a business entity, each person who owns 10% or more of the equity or voting interests of the equity of the Franchisee must personally guaranty the company's obligations to us, thereby agreeing to place his or her personal assets at risk.

6. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you; (ii) your ability to rely on any representations it makes to you; or (iii) any violations of the law.

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

FIRST ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF CALIFORNIA

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on _____, _____ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the State of California or a non-resident who is acquiring franchise rights permitting the establishment and operation of a PHỞ HÒA® Restaurant in the State of California.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of California law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the California Franchise Investment Law (California Corporations Code Sections 31000 through 31516), the provision will be deleted and will be of no force or effect.

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

4. Upon the termination or non-renewal of the Franchise Agreement, if Company is required by Section 20022 of the California Business and Professions Code to purchase inventory, supplies, equipment, fixtures, and furnishings from Franchisee, Company may offset any amounts Franchisee then owes Company against the amount owed by

Company to Franchisee in connection with that purchase, provided that Franchisee agrees to the amount owed to Company or Company has obtained a final adjudication of the amount owed by Franchisee.

5. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

6. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

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

COMPANY:	**FRANCHISEE:**
SOUTH BAY SOUP CORPORATION, a California corporation	**[NAME]**
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Attorney General of Illinois requires us to make the following specific disclosures to prospective Illinois franchisees:

1. Illinois law governs the Franchise Agreement(s).

2. 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.

3. Section 19 of the Illinois Franchise Disclosure Act sets forth the conditions and notice requirements for termination of a franchise agreement.

4. Section 20 of the Illinois Franchise Disclosure Act sets forth the conditions of non-renewal of a franchise agreement, along with the compensation requirements.

5. 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.

6. 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.

FIRST ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF ILLINOIS

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on _____, _____ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the State of Illinois or a non-resident who is acquiring franchise rights permitting the establishment and operation of a PHỞ HÒA® Restaurant in the State of Illinois.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Illinois law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") shall supersede any provisions of the Franchise Contracts or California law that are in conflict with Illinois law.

2. In conformance with Section 4 of the Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void.

3. Section 19 of the Act sets forth the conditions and notice requirements for termination of a franchise agreement.

4. Section 20 of the Act sets forth the conditions of non-renewal of a franchise agreement, along with the compensation requirements.

5. In conformance with section 41 of the Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Act **or any other law of Illinois** is void. Section 41 does not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act.

6. 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 this Addendum on the date first above written.

COMPANY:	**FRANCHISEE:**
SOUTH BAY SOUP CORPORATION, a California corporation	**[NAME]**
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Indiana Securities Division requires the following specific disclosures to be made to prospective Indiana franchisees:

1. Indiana has a statute, the Indiana Deceptive Practices Act (the "Act"), which makes it unlawful for a franchise agreement with an Indiana resident or nonresident who will operate a franchise in Indiana to contain any of the following provisions:

a. Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where the goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute the improper designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute an improper designation. This paragraph does not apply to goods, supplies, inventories, or services that are manufactured or trademarked by, or for, the franchisor.

b. Allowing the franchisor to establish a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

c. Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

d. Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

e. Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by Indiana law or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This paragraph does not apply to arbitration before an independent arbitrator.

f. Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers before the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this paragraph.

g. Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the franchise agreement.

h. Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This paragraph shall not prohibit a franchise agreement from providing that the agreement is not renewable meets certain conditions specified in the agreement.

i. Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of an exclusive area provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

j. Limiting litigation brought for breach of the agreement in any manner whatsoever.

k. Requiring the franchisee to participate in any (i) advertising campaign or contest; (ii) promotional campaigns; (iii) promotional materials; or (iv) display decorations or materials, in each case at any expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

l. Requiring a franchisee to enter into an agreement providing the franchisor with any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or materials provided by the franchisor or by the franchisor's negligence.

m. Requiring a franchisee to enter into an agreement reserving the right to injunctive relief and any specific damages to the franchisor, limiting the remedies available to either party without benefit of appropriate process or recognizing the adequacy or inadequacy of any remedy under the agreement.

2. It is unlawful for any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana to engage in any of the following acts and practices in relation to the agreement:

a. Coercing the franchisee to:

(1) Order or accept delivery of any goods, supplies, inventories, or services which are neither necessary to the operation of the franchise, required by the franchise agreement, required by law, nor voluntarily ordered by the franchisee.

(2) Order or accept delivery of any goods offered for sale by the franchisee which includes modifications or accessories which are not included in the base price of those goods as publicly advertised by the franchisor.

(3) Participate in an advertising campaign or contest, any promotional campaign, promotional materials, display decorations, or materials at an expense to the franchisee over and above the maximum percentage of gross monthly sales or the maximum absolute sum required to be spent by the franchisee provided for in the franchise agreement; and absent a maximum expenditure provision in the franchise agreement, no such participation may be required; or

(4) Enter into any agreement with the franchisor or any designee of the franchisor, or do any other act prejudicial to the franchisee, by threatening to cancel or fail to

renew any agreement between the franchisee and the franchisor. Notice in good faith to any franchisee of the franchisee's violation of the terms or provisions of a franchise or agreement does not constitute a violation of this paragraph.

b. Refusing or failing to deliver in reasonable quantities and within a reasonable time after receipt of an order from a franchisee for any goods, supplies, inventories, or services which the franchisor has agreed to supply to the franchisee, unless the failure is caused by acts or caused beyond the control of the franchisor.

c. Denying the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise.

d. Establishing a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or if no exclusive territory is designated, competing unfairly with the franchisee within a reasonable area. However, a franchisor shall not be considered to be competing when operating a business either temporarily for a reasonable period of time, or in a bona fide retail operation which is for sale to any qualified independent person at a fair and reasonable price, or in a bona fide relationship in which an independent person has made a significant investment subject to loss in the business operation and can reasonably expect to acquire full ownership of such business on reasonable terms and conditions.

e. Discriminating unfairly among its franchisees or unreasonably failing or refusing to comply with any terms of a franchise agreement.

f. Obtaining money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

g. Increasing prices of goods provided by the franchisor which the franchisee had ordered for retail consumers before the franchisee's receipt of a written official price increase notification. Price increases caused by conformity to a state or federal law, the revaluation of the United States dollar in the case of foreign-made goods or pursuant to the franchise agreement are not subject to this paragraph.

h. Using deceptive advertising or engaging in deceptive acts in connection with the franchise or the franchisor's business.

3. Regardless of anything set forth in the Franchise Agreement, you do not waive any right under Indiana statutes with regard to prior representations made in the Franchise Disclosure Document.

4. The Franchise Agreement is amended to provide that it will be governed and construed in accordance with the laws of the State of Indiana.

5. Each provision of the Franchise Agreement which is unlawful pursuant to the Act is deemed to be amended by the parties to conform with the Act.

6. Indiana residents and non-residents who own a franchise located in the State of Indiana will enter into the Indiana Addendum to Franchise Agreement in the form attached to this Exhibit.

FIRST ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF INDIANA

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on _____, _____ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the State of Indiana or a non-resident who is acquiring franchise rights permitting the establishment and operation of a PHỞ HÒA® Restaurant in the State of Indiana.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Indiana law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties expressly agree that to the extent any provision in any of the Franchise Contracts conflicts with the Indiana Deceptive Practices Act (the "Act"), the parties hereby amend the Franchise Contracts to the extent necessary to cause the Franchise Contracts to conform with the Act.

3. The parties expressly agree that (i) no general release given by Franchisee under any of the Franchise Contracts shall operate to release, assign, waive or extinguish any liability arising under the Act; (ii) no provision in any of the Franchise Contracts shall limit Franchisee's right to sue in court for violations of the Act; (iii) no provision in any of the Franchise Contracts which is intended to prevent Franchisee from relying on any statement or representation made before Franchisee signs any of the Franchise Contracts shall be applied or extend to statements contained in the Franchise Disclosure Document delivered to Franchisee before Franchisee's execution of the Franchise Contracts; and (iv) no provision which is found to be a liquidated damages provision under Indiana law shall be enforceable against Franchisee.

4. Notwithstanding anything to the contrary contained in any of the Franchise Contracts, Franchisee shall have no duty to indemnify Company for any liability that

Company may sustain as a result of Franchisee's proper reliance on or use of any of the procedures or materials furnished by Company or for liability solely attributable to Company's negligence.

5. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Act, the provision will be deleted and will be of no force or effect.

6. 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.

7. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

8. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

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

COMPANY:	**FRANCHISEE:**
SOUTH BAY SOUP CORPORATION, a California corporation	**[NAME]**
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following provision amends Item 5 of the Franchise Disclosure Document:

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.

The following provisions amend anything to the contrary in Item 17 of the Franchise Disclosure Document:

1. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law (the "Maryland Law").

2. Claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise.

3. The provisions in the Franchise Agreement which provide for termination upon Franchisee's bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

4. A general release that is required as a condition of renewal, sale and/or assignment/transfer of the franchise shall not apply to any liability under Maryland Law.

5. All representations requiring a prospective franchise to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.

6. 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.

FIRST ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF MARYLAND

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on _____, _____ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the State of Maryland or a non-resident who is acquiring franchise rights permitting the establishment and operation of a PHỞ HÒA® Restaurant in the State of Maryland.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of the Maryland Franchise Registration and Disclosure Law (the "Law").

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. A general release that is required by the Franchise Contracts as a condition of renewal, sale and/or assignment/transfer of the franchise shall not apply to any liability under the Law.

3. All representations requiring a prospective franchisee to assent to a release, estoppel or waiver of any liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability uncured under the Law.

4. Franchisee may bring a lawsuit in Maryland for claims arising under the Law, except for claims that are required to be submitted to arbitration.

5. The parties amend any statute of limitations period in the Franchise Contracts to provide that any claims arising under the Law must be brought within 3 years after the effective date of the Franchise Agreement.

6. Sections XXIII.A through XXIII.D of the Franchise Agreement are deleted.

7. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Law, the provision will be deleted and will be of no force or effect.

8. Based upon the Company's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by Franchisee shall be deferred until the Company completes its pre-opening obligations under the Franchise Agreement.

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

10. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Law are not met.

11. The Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

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

COMPANY:	**FRANCHISEE:**
SOUTH BAY SOUP CORPORATION, a California corporation	**[NAME]**
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

For Minnesota residents and nonresidents owning a franchise to be operated in Minnesota, the applicable sections of the Franchise Disclosure Document are amended to reflect the following wherever appropriate:

1. Minn. Stat. Sec. 80C.21 declares void any condition, stipulation or provision purporting to bind a person to waive compliance with the Minnesota franchise law (Minn. Stat. sections 80C.01 to 80C.22) and the rules promulgated thereunder ("the Minnesota Act"). To the extent that any of the contracts that you sign with us contain a general release, or require you to sign a general release at a later date, in favor of us or our affiliates, the general release will not operate to extinguish claims arising under, or relieve any person from liability imposed by, the Minnesota Act.

2. The Minnesota Act protects your right to require that the venue of any dispute not subject to binding arbitration be in Minnesota and that Minnesota law govern all contracts with us. It furthermore protects your right to a jury trial. To the extent any contract that you sign with us is inconsistent with the Minnesota Act, the contract shall be modified to conform with the Minnesota Act.

3. If any contract that you sign with us contains procedures for terminating the contract that are inconsistent with the Minnesota Act, the contract shall be modified to add the following:

> "Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases enumerated in the referenced statute, that Company give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement."

4. If any contract that you sign with us requires you to consent to our obtaining injunctive relief, the contract shall be amended to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing shall prevent us from applying to a forum for injunctive relief.

5. If any contract that you sign with us contains a limitations period for bringing claims against us which is shorter than the limitations period provided under the Minnesota Act, the contract shall be modified to conform to the Minnesota Act.

6. The Minnesota Act requires us to indemnify you from any loss, costs or expenses that you might incur arising out of a third party challenge to your authorized use of our service marks.

7. Minnesota residents and nonresidents owning a franchise to be operated in Minnesota will enter into the Minnesota Addendum to Franchise Agreement in the form attached to this Exhibit.

FIRST ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF MINNESOTA

This FIRST ADDENDUM TO FRANCHISE CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the State of Minnesota or a non-resident who is acquiring franchise rights permitting the establishment and operation of a PHỞ HÒA® Restaurant in the State of Minnesota.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Minn. Stat. sections 80C.01 to 80C.22 and the rules promulgated thereunder ("the Minnesota Act").

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties agree that any provision in any of the Franchise Contracts that requires Franchisee to provide Company with a general release in violation of the Minnesota Act is illegal and of no force or effect.

3. The parties agree that if any provision in any of the Franchise Contracts requires venue to be in a state other than Minnesota, declares that the laws of a state other than Minnesota shall govern the Franchise Contracts, or requires Franchisee to waive its right to a jury trial, the applicable provision shall be amended to add the following:

> "Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, nothing in this Agreement shall in any way abrogate or reduce any rights of Franchisee under Minnesota Statutes, Chapter 80C, or require Franchisee to waive his or her right to a jury trial, or require Franchisee to waive any other rights to any procedure, forum or remedies provided for by Minnesota law."

4. The parties agree that if provision in any of the Franchise Contracts contains procedures for terminating the Contract which are inconsistent with the Minnesota Act, the applicable provision shall be amended to add the following:

> "Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases, that Company give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement."

5. The parties agree that any provision in any of the Franchise Contracts that requires Franchisee to consent to Company's obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Company from applying to a forum for injunctive relief.

6. Notwithstanding anything to the contrary in any of the Franchise Contracts, Company agrees to indemnify Franchisee from any loss, costs or expenses that Franchisee incurs on account of a third party challenge to Franchisee's authorized use of the Marks; provided, however, Company shall have no obligation to indemnify Franchisee if Franchisee's use of the Marks is outside the scope of Company's license.

7. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Minnesota Act, the provision will be deleted and will be of no force or effect.

8. 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.

9. If any provision in any of the Franchise Contracts contains a limitations period for bringing claims against the Company which is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

(a) This Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Minnesota Act are not met.

10. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

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

COMPANY:	**FRANCHISEE:**
SOUTH BAY SOUP CORPORATION a California corporation	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Any provision in any of the contracts that you sign with us provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et seq.).

Additional Disclosures. The following statements are added to the information that we disclose in Item 17:

1. 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 does not constitute "reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgment.** 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. **Non-Solicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. **Fee Deferral**. In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

ADDENDUM TO FRANCHISE CONTRACTS
FOR THE STATE OF WASHINGTON

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **SOUTH BAY SOUP CORPORATION**, a California corporation ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Washington law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

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 Judgment.** 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. **Non-Solicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. **Fee Deferral.** In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received

all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

20. Sections XXIII.A through XXIII.D of the Franchise Agreement are deleted.

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

COMPANY:	**FRANCHISEE:**
SOUTH BAY SOUP CORPORATION a California corporation	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXHIBIT I

FINANCIAL STATEMENTS

SOUTH BAY SOUP CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

Neal M. Katz, CPA
Mark K. Chapman, CPA
Danielle M. McGee, CPA

INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors
South Bay Soup Corporation
Sacramento, California

Opinion

We have audited the accompanying financial statements of South Bay Soup Corporation (a California corporation), consisting of the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and retained earnings (accumulated deficit) 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 South Bay Soup Corporation as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in conformity 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. 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 South Bay Soup Corporation 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

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.

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 purposes of expressing an opinion on the effectiveness of South Bay Soup Corporation'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 ability of South Bay Soup Corporation 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 matters that we identified during the audit.

Katz Cassidy

Katz Cassidy
An Accountancy Corporation
Los Angeles, California
March 31, 2026

SOUTH BAY SOUP CORPORATION

BALANCE SHEETS

DECEMBER 31, 2025 AND 2024

	2025	2024
Assets		
Current Assets		
Cash	$ 266,194	$ 498,065
Accounts receivable, net of allowance for doubtful accounts	32,501	3,356
Prepaid income taxes	-	4,800
Total Current Assets	298,695	506,221
Total Assets	$ 298,695	$ 506,221
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	$ 15,622	$ 35,693
Deposit liabilities	12,000	12,500
Current portion of deferred franchise fee revenue	-	45,000
Due to stockholder	82,628	229,662
Total Current Liabilities	110,250	322,855
Long-Term Liabilities		
Deferred franchise fee revenue, net of current portion	10,000	10,000
Deferred income taxes	3,000	16,412
Total Long-Term Liabilities	13,000	26,412
Total Liabilities	123,250	349,267
Stockholder's Equity		
Common stock, no par value: 100,000 shares authorized, issued and outstanding	100,000	100,000
Retained earnings (accumulated deficit)	75,445	56,954
Total Stockholder's Equity	175,445	156,954
Total Liabilities and Stockholder's Equity	$ 298,695	$ 506,221

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

SOUTH BAY SOUP CORPORATION

STATEMENTS OF INCOME AND RETAINED EARNINGS (ACCUMULATED DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Income		
Product sales	$ 715,042	$ 603,961
Royalties	488,808	504,891
Franchise fees	25,500	40,000
Total Income	1,229,350	1,148,852
Cost of Goods Sold	661,225	562,221
Gross Profit	568,125	586,631
Operating Expenses		
Freight and postage	52,375	41,775
Licensing fees	244,500	282,000
Management fees	193,200	181,608
Professional fees	61,164	87,449
Other operating expenses	9,030	5,751
Total Operating Expenses	560,269	598,583
Net Income (Loss) from Operations	7,856	(11,952)
Other Income		
Other income	1,329	6,400
Total Other Income	1,329	6,400
Net Income (Loss) Before Income Taxes	9,185	(5,552)
Income Tax Expense (Benefit)		
Current	4,106	(3,450)
Deferred	(13,412)	8,912
Total Income Tax Expense	(9,306)	5,462
Net Income (Loss)	18,491	(11,014)
Retained Earnings- Beginning	56,954	67,968
Retained Earnings - Ending	$ 75,445	$ 56,954

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

SOUTH BAY SOUP CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities:		
Net income (loss)	$ 18,491	$ (11,014)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Accounts receivable	(29,145)	52,409
Prepaid income taxes	4,800	(4,800)
Increase (decrease) in:		
Accounts payable	(20,071)	20,693
Income taxes payable	-	(9,500)
Deposit liabilities	(500)	(5,500)
Deferred franchise revenue	(45,000)	30,000
Deferred income taxes	(13,412)	8,912
Net Cash Provided by (Used in) Operating Activities	(84,837)	81,200
Cash Flows from Financing Activities:		
Net decrease in due to stockholder	(147,034)	(72,743)
Net Increase (Decrease) in Cash	(231,871)	8,457
Cash - Beginning	498,065	489,608
Cash - Ending	$ 266,194	$ 498,065

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:		
Income taxes	$ -	$ 11,257

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of South Bay Soup Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Nature of Business

The Company is a California corporation formed in 2005. It is the franchisor of Pho Hoa casual dining restaurants and the Jazen Tea line of beverage products.

Basis of Financial Statements

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U. S. GAAP).

Accounts Receivable

The Company provides for uncollectible accounts in the year they are determined to be uncollectible. Based on management's evaluation of accounts receivable, no allowance for credit losses is considered necessary as of December 31, 2025 and 2024.

Revenue Recognition

The Company receives revenue from the sale of franchises and from royalties based either on a flat monthly rate or a percentage of franchisee sales, depending on the franchise agreement. Royalty revenue is recognized as franchisee sales occur. Franchisees also pay a marketing fee based either on a flat monthly rate or a percentage of franchisee sales, depending on the franchise agreement. Marketing fees are not included in revenue and are remitted to the Company's parent (Note 3), which is responsible for advertising, marketing, and brand awareness.

The Company's franchise agreements have an initial term of five years with two five-year renewal periods available at the franchisee's option, subject to certain requirements established by the Company. In consideration for the initial franchise fee and continuing royalties and other amounts specified in the franchise agreement, the Company sublicenses new franchisees to use the Pho Hoa and Jazen Tea trademarks and operating system, and provides training, preopening assistance, and shop operating assistance.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property. In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, but has not elected to treat all eligible pre-opening activities as a single performance obligation.

Management estimates that services provided from the execution of a franchise agreement until the franchisee receives site approval account for 50% of its pre-opening performance obligations. Services provided after site approval until the restaurant opens account for the remaining 50% of its pre-opening performance obligations. Management believes that the value of its performance obligations after opening, consisting primarily of licensing, are equal to the royalties charged to each restaurant. Therefore 50% of the franchise fee is recognized as revenue upon site approval, and 50% upon the opening of each restaurant.

Research and Development

Costs relating to designing and developing new products which will be used by the Company's franchisees are expensed as incurred.

Income Taxes

Deferred income taxes are provided for timing differences between financial and taxable income before income taxes, consisting primarily of differences in the recognition of franchise fee revenue. A valuation allowance is provided for any portion of a deferred tax asset that will not be realized.

The Company has determined that there are no uncertain tax positions that would have a material effect on the consolidated financial statements as of December 31, 2025 or 2024. No income tax examinations are currently pending.

Concentrations of Credit Risk

The Company maintains its cash with various commercial banks which are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation. At times, account balances may exceed insured limits. The Company has not experienced any losses on these accounts, and management believes the Company is not exposed to any significant risk related to its cash accounts.

Use of Estimates

The preparation of financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. FRANCHISE ACTIVITY

The Company sells Pho Hoa and Jazen Tea franchises as stand-alone businesses, or the franchises can be purchased together as a co-branded business. Following is a summary of Pho Hoa franchise restaurants, all of which are co-branded with Jazen Tea, for the years ended December 31, 2025 and 2024:

	Franchisee Owned	Owned by Aureflam (Note 3)	Total
Locations at December 31, 2023	17	3	20
Locations opened	-	-	-
Locations closed	(3)	-	(3)
Locations at December 31, 2024	14	3	17
Locations opened	2	-	2
Locations closed	(1)	(1)	(2)
Locations at December 31, 2025	15	2	17

The Company entered into no franchise agreements during the years ended December 31, 2025 and 2024. As of December 31, 2025 and 2024, one and four franchisees, respectively, have signed co-branded franchise agreements but have not yet opened for business.

During the year ended December 31, 2025 one restaurant that had not opened canceled their franchise agreement. The Company issued a refund of $20,000 to this former franchisee.

During the year ended December 31, 2024 two co-branded Pho Hoa and Jazen Tea franchisees and one stand-alone Pho Hoa franchisee ceased operations. During the year ended December 31, 2024, one co-branded franchise was re-acquired by the Company and then re-franchised to another existing franchisee.

3. RELATED PARTY TRANSACTIONS

Franchisees are required to purchase most of their products and ingredients from the Company.

The Company's parent, Aureflam Corporation (Aureflam) owns the Pho Hoa and Jazen Tea trade names, trademarks and other intellectual property (IP) used in the Company's franchised restaurants. Aureflam licenses the IP to the Company and allows the Company to sublicense the IP to franchisees for a fee of $23,500 per month. Licensing fees for each of the years ended December 31, 2025 and 2024 were $244,500.

The Company also pays Aureflam a monthly management fee for certain shared operating expenses. Total management fee expense for the years ended December 31, 2025 and 2024 was $193,200 and $181,608, respectively. The Company has a payable to Aureflam for licensing and management fees and advanced expenses totaling $82,629 and $229,663 as of December 31, 2025 and 2024, respectively.

3. RELATED PARTY TRANSACTIONS (Continued)

As of December 31, 2025 and 2024, Aureflam operates a total of two and three restaurants, respectively, for which the Company receives no franchise fees or royalties.

Marketing Fund contributions collected from franchisees are remitted to Aureflam, which administers the Marketing Fund and provides advertising, marketing, and brand awareness services for the Pho Hoa system.

4. INCOME TAXES

The provision for income taxes for the year ended December 31, 2025 consists of the following:

	Federal	California	Total
Current	$ 4,000	$ 2,806	$ 6,806
Deferred	(9,450)	(3,962)	(13,412)
Total	$ (5,450)	$ (1,156)	$ (6,606)

The provision for income taxes for the year ended December 31, 2024 consists of the following:

	Federal	California	Total
Current	$ -	$ 800	$ 800
Deferred	3,281	1,381	4,662
Total	$ 3,281	$ 2,181	$ 5,462

5. ECONOMIC CONCENTRATIONS

As of December 31, 2025, two restaurants account for approximately 63% of the Company's accounts receivable. As of December 31, 2025 the Company's royalty revenue is derived from 16 co-branded Pho Hoa and Jazen Tea restaurants owned by franchisees and operating in the United States. For the year ended December 31, 2025, two franchisees operating five restaurants accounted for approximately 46% of royalty revenue and three franchisees operating six restaurants accounted for approximately 69% of product sales revenue.

As of December 31, 2024, one restaurant accounts for approximately 88% of the Company's accounts receivable. As of December 31, 2024, the Company's royalty revenue is derived from 14 co-branded Pho Hoa and Jazen Tea restaurants owned by franchisees and operating in the United States. For the year ended December 31, 2024, two franchisees operating five restaurants accounted for approximately 35% of royalty revenue and three franchisees operating six restaurants accounted for approximately 73% of product sales revenue.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2026, the date on which the financial statements were available to be issued.

SOUTH BAY SOUP CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

Neal M. Katz, CPA
Mark K. Chapman, CPA
Danielle M. McGee, CPA

Barbara Ann Barschak, CPA

INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors
South Bay Soup Corporation
Sacramento, California

Opinion

We have audited the accompanying financial statements of South Bay Soup Corporation (a California corporation), consisting of the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and retained earnings (accumulated deficit) 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 South Bay Soup Corporation as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in conformity 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. 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 South Bay Soup Corporation 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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 purposes of expressing an opinion on the effectiveness of South Bay Soup Corporation'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 South Bay Soup Corporation'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 matters that we identified during the audit.

Katz Cassidy
An Accountancy Corporation
Los Angeles, California
April 1, 2025

SOUTH BAY SOUP CORPORATION

BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 498,065	$ 489,608
Accounts receivable, net of allowance for doubtful accounts	3,356	55,765
Prepaid income taxes	4,800	-
Total Current Assets	506,221	545,373
Total Assets	$ 506,221	$ 545,373
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	$ 35,693	$ 15,000
Income taxes payable	-	9,500
Deposit liabilities	12,500	18,000
Current portion of deferred franchise fee revenue	45,000	15,000
Due to stockholder	229,662	302,405
Total Current Liabilities	322,855	359,905
Long-Term Liabilities		
Deferred franchise fee revenue, net of current portion	10,000	10,000
Deferred income taxes	16,412	7,500
Total Long-Term Liabilities	26,412	17,500
Total Liabilities	349,267	377,405
Stockholder's Equity		
Common stock, no par value: 100,000 shares authorized, issued and outstanding	100,000	100,000
Retained earnings (accumulated deficit)	56,954	67,968
Total Stockholder's Equity	156,954	167,968
Total Liabilities and Stockholder's Equity	$ 506,221	$ 545,373

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

SOUTH BAY SOUP CORPORATION

STATEMENTS OF INCOME AND RETAINED EARNINGS (ACCUMULATED DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Income		
Product sales	$ 603,961	$ 642,491
Royalties	504,891	561,518
Franchise fees	40,000	7,500
Total Income	1,148,852	1,211,509
Cost of Goods Sold	562,221	604,286
Gross Profit	586,631	607,223
Operating Expenses		
Bad debts	-	1,000
Freight and postage	41,775	40,840
Licensing fees	282,000	282,000
Management fees	181,608	181,200
Professional fees	87,449	65,253
Other operating expenses	5,751	4,443
Total Operating Expenses	598,583	574,736
Net Income (Loss) from Operations	(11,952)	32,487
Other Income		
Other income	6,400	7,970
Total Other Income	6,400	7,970
Net Income (Loss) Before Income Taxes	(5,552)	40,457
Income Tax Expense		
Current	800	13,087
Deferred	4,662	-
Total Income Tax Expense	5,462	13,087
Net Income (Loss)	(11,014)	27,370
Retained Earnings- Beginning	67,968	40,598
Retained Earnings - Ending	$ 56,954	$ 67,968

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

SOUTH BAY SOUP CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities:		
Net income (loss)	$ (11,014)	$ 27,370
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Bad debt expense	-	1,000
(Increase) decrease in:		
Accounts receivable	52,409	(8,179)
Prepaid income taxes	(4,800)	-
Increase (decrease) in:		
Accounts payable	20,693	-
Income taxes payable	(9,500)	(5,200)
Deposit liabilities	(5,500)	(7,000)
Deferred franchise revenue	30,000	-
Deferred income taxes	8,912	-
Net Cash Provided by Operating Activities	81,200	7,991
Cash Flows from Financing Activities:		
Net decrease in due to stockholder	(72,743)	(416,155)
Net Increase (Decrease) in Cash	8,457	(408,164)
Cash - Beginning	489,608	897,772
Cash - Ending	$ 498,065	$ 489,608

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Income taxes	$ 11,257	$ 18,287

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of South Bay Soup Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Nature of Business

The Company is a California corporation formed in 2005. It is the franchisor of Pho Hoa casual dining restaurants and the Jazen Tea line of beverage products.

Basis of Financial Statements

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U. S. GAAP).

Accounts Receivable

The Company provides for uncollectible accounts in the year they are determined to be uncollectible. Based on management's evaluation of accounts receivable, no allowance for doubtful accounts is considered necessary as of December 31, 2024 and 2023.

Revenue Recognition

The Company receives revenue from the sale of franchises and from royalties based either on a flat monthly rate or a percentage of franchisee sales, depending on the franchise agreement. Royalty revenue is recognized as franchisee sales occur. Franchisees also pay a marketing fee based either on a flat monthly rate or a percentage of franchisee sales, depending on the franchise agreement. Marketing fees are not included in revenue and are remitted to the Company's parent (Note 3), which is responsible for advertising, marketing, and brand awareness.

The Company's franchise agreements have an initial term of five years with two five-year renewal periods available at the franchisee's option, subject to certain requirements established by the Company. In consideration for the initial franchise fee and continuing royalties and other amounts specified in the franchise agreement, the Company sublicenses new franchisees to use the Pho Hoa and Jazen Tea trademarks and operating system, and provides training, preopening assistance, and shop operating assistance.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property. In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, but has not elected to treat all eligible pre-opening activities as a single performance obligation.

Management estimates that services provided from the execution of a franchise agreement until the franchisee receives site approval account for 50% of its pre-opening performance obligations. Services provided after site approval until the location opens account for the remaining 50% of its pre-opening performance obligations. Management believes that the value of its performance obligations after opening, consisting primarily of licensing, are equal to the royalties charged to each location. Therefore 50% of the franchise fee is recognized as revenue upon site approval, and 50% upon the opening of each location.

Research and Development

Costs relating to designing and developing new products which will be used by the Company's franchisees are expensed as incurred.

Income Taxes

Deferred income taxes are provided for timing differences between financial and taxable income before income taxes, consisting primarily of differences in the recognition of franchise fee revenue. A valuation allowance is provided for any portion of a deferred tax asset that will not be realized.

The Company has determined that there are no uncertain tax positions that would have a material effect on the consolidated financial statements as of December 31, 2024 or 2023. No income tax examinations are currently pending.

Concentrations of Credit Risk

The Company maintains its cash with various commercial banks which are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation. At times, account balances may exceed insured limits. The Company has not experienced any losses on these accounts, and management believes the Company is not exposed to any significant risk related to its cash accounts.

Use of Estimates

The preparation of financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain prior year amounts have been reclassified to be consistent with the current year presentation.

2. FRANCHISE ACTIVITY

The Company sells Pho Hoa and Jazen Tea franchises as stand-alone businesses, or the franchises can be purchased together as a co-branded business. Following is a summary of Pho Hoa franchise locations, all of which are co-branded with Jazen Tea, for the years ended December 31, 2024 and 2023:

	Franchisee Owned	Owned by Aureflam (Note 3)	Total
Locations at December 31, 2022	18	3	21
Locations opened	-	-	-
Locations closed	(1)	-	(1)
Locations at December 31, 2023	17	3	20
Locations opened	-	-	-
Locations closed	(3)	-	(3)
Locations at December 31, 2024	14	3	17

The Company entered into no franchise agreements during the year ended December 31, 2024, and one co-branded franchise agreement during the year ended December 31, 2023. As of December 31, 2024 and 2023, four and two franchisees, respectively, have signed co-branded franchise agreements but have not yet opened for business.

During the year ended December 31, 2024, two co-branded Pho Hoa and Jazen Tea franchisees and one stand-alone Pho Hoa franchisee ceased operations. During the year ended December 31, 2024, one franchised co-branded location was re-acquired by the Company and then re-franchised to another existing franchisee.

During the year ended December 31, 2023, one co-branded Pho Hoa and Jazen Tea franchisee ceased operations at the end of the franchise agreement.

3. RELATED PARTY TRANSACTIONS

Franchisees are required to purchase most of their products and ingredients from the Company.

3. RELATED PARTY TRANSACTIONS (Continued)

The Company's parent, Aureflam Corporation (Aureflam) owns the Pho Hoa and Jazen Tea trade names, trademarks and other intellectual property (IP) used in the Company's franchised locations. Aureflam licenses the IP to the Company and allows the Company to sublicense the IP to franchisees for a fee of $23,500 per month. Licensing fees for each of the years ended December 31, 2024 and 2023 were $282,000.

The Company also pays Aureflam a management fee of $15,100 per month for certain shared operating expenses. Total management fee expense for each of the years ended December 31, 2024 and 2023 was $181,608. The Company has a payable to Aureflam for licensing and management fees and advanced expenses totaling $229,663 and $302,406 as of December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, Aureflam operates a total of three restaurants for which the Company receives no franchise fees or royalties.

Marketing funds collected from franchisees are remitted to Aureflam, which is responsible for advertising, marketing, and brand awareness.

4. INCOME TAXES

The provision for income taxes for the year ended December 31, 2024 consists of the following:

	Federal	California	Total
Current	$ -	$ 800	$ 800
Deferred	3,281	1,381	4,662
Total	$ 3,281	$ 2,181	$ 5,462

The provision for income taxes for the year ended December 31, 2023 consists of the following:

	Federal	California	Total
Current	$ 9,002	$ 4,085	$ 13,087
Deferred	-	-	-
Total	$ 9,002	$ 4,085	$ 13,087

5. ECONOMIC CONCENTRATIONS

As of December 31, 2024, one franchisee operating one location accounts for approximately 88% of the Company's accounts receivable. As of December 31, 2024 the Company's royalty revenue is derived from 14 Pho Hoa and eight Jazen Tea locations owned by franchisees and operating in the United States. For the year ended December 31, 2024, two franchisees operating five locations accounted for approximately 35% of royalty revenue.

5. ECONOMIC CONCENTRATIONS (Continued)

As of December 31, 2023, three franchisees operating four locations account for approximately 92% of the Company's accounts receivable. As of December 31, 2023, the Company's royalty revenue is derived from 17 Pho Hoa and 10 Jazen Tea locations owned by franchisees and operating in the United States. For the year ended December 31, 2023, three franchisees operating seven locations accounted for approximately 51% of royalty revenue.

6. COVID-19 PANDEMIC

In January 2020, the World Health Organization (WHO) declared an international public health emergency over the spread of the COVID-19 coronavirus. Social distancing and other restrictions affected restaurant sales worldwide. WHO declared the end of the public health emergency in May 2023. The outbreak and responses to the virus significantly disrupted and may continue to disrupt the Company's business.

The Company waived or reduced royalties and marketing fees for some franchisees during 2023 to accommodate a severe decline in sales during the period.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 1, 2025, the date on which the financial statements were available to be issued.

EXHIBIT J

OUTLETS

FRANCHISED LOCATIONS AS OF DECEMBER 31, 2025

Franchise name	Address	City	State	Zip Code	Name	Telephone Number
Phở Hòa® Noodle Soup	3147 Mission College Blvd.	Santa Clara	CA	95054	Hanh Tran Tuan Le	(901) 283-8083
Phở Hòa® Noodle Soup	20674 Homestead Rd	Cupertino	CA	95014	Hanh Tran	(408)216-9275
Phở Hòa® Noodle Soup	6830 Katella Ave. Ste. B	Cypress	CA	90630	Truong's Investment	(657) 257-4000
Phở Hòa® Noodle Soup	2800 Pinole Valley Rd, Ste E	Pinole	CA	95464	Nguyen Nguyen	(415) 601-7515
Phở Hòa® Noodle Soup	3205 Crow Canyon Place	San Ramon	CA	94584	Hanh Tran Silicon Valley Restaurant Group	(408) 228-2583
Phở Hòa® Noodle Soup	649 N. Primrose Dr.	Orlando	FL	32803	Anthony Le	(407) 895-6098
Phở Hòa® Noodle Soup	4510 Ambassador Caffery Parkway, Ste H	Lafayette	LA	70508	Anh Tran	(337) 534-8969
Phở Hòa® Noodle Soup	1370 Dorchester Ave.	Dorchester	MA	02122	Thanh Dinh Le	(617) 287-9746
Phở Hòa® Noodle Soup	2450 Nicollet Ave South	Minneapolis	MN	55404	Minh Van Xuong	(612) 876-6075
Phở Hòa® Noodle Soup	3000 Central Ave, Ste 1	Charlotte	NC	28205	Canh Phan	(704) 536-7110
Phở Hòa® Noodle Soup	1617 Pleasanton Rd, Ste B-133	Fort Bliss	TX	79906	Hoang Le	(915) 216-1728
Phở Hòa® Noodle Soup	618 S. Weller St.	Seattle	WA	98104	Tram Bui	(206) 624-7189
Phở Hòa® Noodle Soup	1120 Galaxy Dr. NE Suite A	Lacey	WA	98516	Hoa Huynh	(360) 628-8375
Phở Hòa® Noodle Soup	2615 Capital Mall Dr. SW, Ste A-5B	Olympia	WA	98052	Hoa Huynh	(360) 628-8375
Phở Hòa® Noodle Soup	1255 Johnson Ferry Rd, Suite #22, Marietta, GA	Marietta	GA	30068	Charleys Georgia, Inc	(678) 446-2131

FRANCHISED LOCATIONS FOR WHICH A FRANCHISE AGREEMENT WAS SIGNED BUT WHICH WERE NOT OPEN AS OF DECEMBER 31, 2025

Franchise name	Address	Franchisee Name	Telephone Number
Phở Hòa® Noodle Soup	27483 Newport Rd Ste A Menifee, CA 92584	Hien Nguyen	(714) 902-4670
Phở Hòa® Noodle Soup	TBD, Washington	Alex Cho	(360) 529-8082

FRANCHISEES WHO HAVE LEFT THE SYSTEM OR NOT COMMUNICATED WITH US AS OF DECEMBER 31, 2025

Below are the names and last known home addresses and telephone numbers of each franchisee who, in our most recent fiscal year, had a franchise agreement terminated or not renewed by us or otherwise voluntary or involuntarily ceased to do business under their franchise agreement; or who has not communicated with us within 10 weeks of 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.

Address				Franchisee Name	Telephone Number
27483 Newport Rd Ste A	Menifee	CA	92584	Hien Nguyen	(714) 902-4670
802 SR 20 Suite B	Sedro-Woolley	WA	98284	Jinah Hwang	(360) 302-8664
[N/A]	[N/A]	WA		Alex Cho	(360) 529-8082

AFFILIATE-OWNED LOCATIONS AS OF DECEMBER 31, 2025

Affiliate-Owned	Address	City	State	Zip Code	Telephone Number
Phở Hòa® Noodle Soup	1089 S. De Anza Blvd	Cupertino	CA	95129	408-366-0544
Phở Hòa® Noodle Soup	1834 Tully Road	San Jose	CA	95122	408-238-1481
Phở Hòa® Noodle Soup	3484 El Camino Real	Santa Clara	CA	95051	408-249-8598

AFFILIATE-OWNED LOCATIONS CLOSED DURING THE FISCAL YEAR ENDED DECEMBER 31, 2025

NONE

EXHIBIT K

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- Summer Roll (Prep)

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- Peanut Sauce (Prep)

Entrees, Fish and Seafood

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Cut Fish (Prep)
- Cut Squid (Prep)
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Production, Basic

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Rice Noodles (Prep)
- Wash and Cut Cilantro (Prep)
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- Lime Slices (Prep)
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Soups, Hot

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- Chicken Soup Broth (Prep)
- Hot & Sour Soup Broth (Prep)
- Beef Soup Broth (Prep)

RECIPES [115 pages]

Beverages (Word Files)

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Tea Concentrate (Prep)
- Vietnamese Coffee Pre-Sets

Entrees, Beef

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Cooked Tripe (Prep)
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Entrees, Pork

- AA Prep Recipe Master
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- Grilled Marinated Pork Slices (Prep)
- Marinated Slice Pork (Prep)

Sauces, Cold

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Fish Sauce (Prep)
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- Measurement Conversions
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- AA Prep Recipe Master
- AAA Recipe Category Listing
- Pickled Carrots – Daikon (Prep)
- Sliced and Julienne Cucumbers (Prep)
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	Total	**34**

Operations Manual 311 pages

Recipes 115 pages

Operations Forms 50 pages

Catering Manual 34 pages

Total: 510 pages

EXHIBIT L

RENEWAL AMENDMENT TO FRANCHISE AGREEMENT

- **This Renewal Amendment to Franchise Agreement may only be signed by an existing South Bay Soup Corporation franchisee in connection with exercising the Renewal Option in the franchisee's original Franchise Agreement.**

- **This Renewal Amendment to Franchise Agreement must be signed by the franchisee concurrently with executing the then-current South Bay Soup Corporation Franchise Agreement.**

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SOUTH BAY SOUP CORPORATION

RENEWAL AMENDMENT TO FRANCHISE AGREEMENT

This Renewal Amendment to Franchise Agreement ("Renewal Amendment") is made and entered into on _____, _____ (the "Effective Date") by SOUTH BAY SOUP CORPORATION, a California corporation ("Company"), and _____ ("Franchisee") with reference to the following facts:

R E C I T A L S

A. Franchisee and Company are parties to that certain Franchise Agreement ("Original Franchise Agreement") pursuant to which Company has awarded Franchisee a license to use the Phở Hòa® System and Phở Hòa® Marks to operate a Phở Hòa® Restaurant at the Authorized Location for the Term defined in the Original Franchise Agreement.

B. The Original Franchise Agreement grants Franchisee two concurrent Renewal Options to renew the license each for a specific period of time defined in the Original Franchise Agreement as the Renewal Term subject to Franchisee satisfying specific conditions in the Original Franchise Agreement. Among the conditions to exercising the Renewal Option is the requirement that Franchisee execute Company's current form of Franchise Agreement ("Current Franchise Agreement"), as amended in order to reflect the specific modifications identified in the Original Franchise Agreement.

C. Franchisee desires to renew the license awarded by the Original Franchise Agreement for a Renewal Term and is prepared to execute the Current Franchise Agreement concurrently with this Renewal Amendment. This Renewal Amendment memorializes the parties' agreement as to the modifications to the Current Franchise Agreement that shall apply during the Renewal Term consistent with the requirements of the Original Franchise Agreement.

D. Company acknowledges that Franchisee has satisfied the conditions for exercising the Renewal Option in the Original Franchise Agreement and is willing to execute the Current Franchise Agreement concurrently with this Renewal Amendment for the Renewal Term specified in the Original Franchise Agreement.

NOW, THEREFORE, the parties agree as follows:

I. DEFINITIONS; RECITALS; FULL FORCE AND EFFECT.

A. Incorporation of Definitions in Original Franchise Agreement. This Renewal Amendment incorporates by reference the definitions in the Original Franchise Agreement given to the following terms: Authorized Location; Renewal Notice; Renewal Option; Renewal Term; Term; and Territory.

B. Other Definitions. All other capitalized terms appearing in this Renewal Amendment shall either have the definition assigned to the term in this Renewal Amendment or in the Current Franchise Agreement.

C. Recitals. The parties hereby incorporate the provisions in the Recitals as part of their agreement.

D. Full Force and Effect. Except as expressly amended by this Amendment, all provisions in the Current Franchise Agreement shall apply to the parties and govern their relationship throughout the Renewal Term for all purposes, and Franchisee shall perform all of the duties in the Current Franchise Agreement including, without limitation, the requirements that (i) a duly executed Addendum to Lease be in effect throughout the Renewal Term; and (ii) each person required to sign Company's form of personal guaranty or spousal consent attached to the Current Franchise Agreement execute Company's current forms.

E. Conflicts. In the event of any conflict between the Current Franchise Agreement and this Renewal Amendment, this Renewal Amendment shall control.

F. Acknowledgements. In executing this Renewal Amendment, Franchisee affirms the acknowledgements stated in the Current Franchise Agreement.

II. GRANT OF LICENSE FOR RENEWAL TERM; AMENDMENTS TO CURRENT FRANCHISE AGREEMENT

A. License. In consideration for Franchisee's payment of the renewal fee identified in the Original Franchise Agreement, Company hereby grants to Franchisee, and Franchisee accepts, the right and license to use the Phở Hòa® System and Phở Hòa® Marks to operate the Phở Hòa® Restaurant at the Authorized Location for the Renewal Term on the terms and conditions in the Current Franchise Agreement as amended by this Renewal Amendment. Franchisee may not relocate the Phở Hòa® Restaurant except as permitted by the Current Franchise Agreement.

B. Term; Renewal Options. The Term of the Current Franchise Agreement is the Renewal Term and the provisions of the Current Franchise Agreement awarding any renewal options to Franchisee shall not apply to the parties and are fully superseded by the provisions in this Renewal Amendment. The parties acknowledge that the Original Franchise Agreement awarded Franchisee two concurrent Renewal Options, and they agree as follows:

1. If the parties are executing this Renewal Amendment in connection with Franchisee's exercise of the first Renewal Option, then Franchisee shall have a second Renewal Option as provided in the Original Franchise Agreement which Franchisee may only exercise during the time period specified in the Original Franchise Agreement subject to these conditions: (i) Company must be granting new franchises in the United States at the time when Franchisee is permitted to exercise the second Renewal Option; and (ii) Franchisee must satisfy all of the conditions in the Original Franchise Agreement for exercising the second Renewal Option.

2. If the parties are executing this Renewal Amendment in connection with Franchisee's exercise of the second Renewal Option in the Original Franchise Agreement, then the license shall expire at the end of the Renewal Term and Franchisee shall have no further right to renew the license awarded by the Original Franchise Agreement. Franchisee may apply to Company to purchase a new license to use the Phở Hòa® System and Phở Hòa® Marks to operate a Phở Hòa® Restaurant at the Authorized Location or at a different approved location on the terms and conditions in Company's then-current Franchise Agreement, however, the decision to award Franchisee a new license shall be left to Company's discretion.

C. Fees. Because Franchisee is entering into this Renewal Amendment in connection with exercising a Renewal Option, upon execution of the Current Franchise

Agreement, Franchisee is not required to pay the initial franchise fee in the Current Franchise Agreement, but shall instead pay the renewal fee specified in the Original Franchise Agreement. Franchisee is obligated to pay all other fees specified in the Current Franchise Agreement.

D. Training. Because Franchisee is executing the Current Franchise Agreement in connection with exercising a Renewal Option, Franchisee is not required to complete, and is not offered the opportunity to participate in, the initial training program that Company offers to new franchisees. However, as a condition of this Renewal Amendment, Franchisee must satisfy Company's then-current training requirements, if any, for renewing franchisees.

E. Territory. During the Renewal Term, Franchisee's Territory shall be the same geographic area identified in the Original Franchise Agreement, but it shall be subject, however, to Company's reserved rights as set forth in the Current Franchise Agreement.

III. ENTIRE AGREEMENT

A. Amendment. No amendment, change, modification or variance to or from the terms and conditions in this Renewal Amendment shall be binding unless set forth in a writing that is duly executed by Company and Franchisee.

B. Complete Agreement. This Renewal Amendment together with the Current Franchise Agreement and any exhibits, and any agreements which this Renewal Amendment expressly incorporates by reference sets forth the entire agreement between the parties pertaining to the license. Nothing in this Renewal Amendment is intended to disclaim the representations which Company has made in Company's franchise disclosure document delivered to Franchisee before the Effective Date of this Renewal Amendment.

IN WITNESS WHEREOF, the parties have executed this Renewal Amendment on the Effective Date.

SOUTH BAY SOUP CORPORATION

By:_____

Its:_____

FRANCHISEE

_____
[Signature]

_____
[Print Name]

_____
[NAME OF BUSINESS ENTITY]

By:_____

Its:_____

STATE EFFECTIVE DATES

The following states have franchise laws that require that this Disclosure Document be registered or filed with the states, 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 Disclosure Document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	*Pending*
Illinois	*Pending*
Indiana	*Pending*
Maryland	*Pending*
Minnesota	*Pending*
Virginia	*Pending*
Washington	*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.

RECEIPT - PHỞ HÒA® FRANCHISE DISCLOSURE DOCUMENT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. **Iowa** requires that we give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 14 calendar days before the execution of any binding 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 agreement or the payment of any consideration that relates to the franchise relationship. **New York** requires that we give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 10 business days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this Disclosure Document on time or if this Disclosure Document contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in **Exhibit A**.

The franchisor is South Bay Soup Corporation, located at 2372 Maritime Drive, Elk Grove, California 95758. Its telephone number is (916) 779-8808. The franchise sellers offering the franchise are Quoc Phan and Sinich Kem, South Bay Soup Corporation, 2372 Maritime Drive, Elk Grove, California 95758, Tel: (916) 779-8808.

I have received a disclosure document dated March 31, 2026, including the following Exhibits:

EXHIBIT A List of Federal and State Franchise Administrators
EXHIBIT B Agents for Service of Process
EXHIBIT C Franchise Agreement
- Schedule A – Authorized Location and Territory
- Schedule B – Personal Guaranty
- Schedule C – Addendum to Lease
- Schedule D – Franchisee's Covered Persons as of the Effective Date
- Schedule E – Spousal Consent
- Schedule F – Collateral Assignment
- Schedule G – SBA Addendum

EXHIBIT D Franchise Application
EXHIBIT E Addendum to Lease
EXHIBIT F General Release
- Schedule A – Dispute Resolution

EXHIBIT G Confidentiality, Non-Disclosure and Non-Competition Agreement
- Schedule A – Dispute Resolution

EXHIBIT H State-Required Addenda
EXHIBIT I Financial Statements
EXHIBIT J Outlets
EXHIBIT K Table of Contents – Confidential Operations, Recipe and Catering Manuals
EXHIBIT L Renewal Amendment to Franchise Agreement
State Effective Dates

Receipt (2 copies)

Date: _____

(Do not leave blank)

_____

Signature of Prospective Franchisee

_____

Print Name

RECEIPT - PHỞ HÒA® FRANCHISE DISCLOSURE DOCUMENT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. **Iowa** requires that we give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 14 calendar days before the execution of any binding 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 agreement or the payment of any consideration that relates to the franchise relationship. **New York** requires that we give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 10 business days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this Disclosure Document on time or if this Disclosure Document contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in **Exhibit A**.

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EXHIBIT L Renewal Amendment to Franchise Agreement
State Effective Dates

Receipt (2 copies)

Date: _____

(Do not leave blank)

_____

Signature of Prospective Franchisee

_____

Print Name

You may return the signed receipt either by signing, dating and mailing it to us at 2372 Maritime Drive, Elk Grove, California 95758 or by sending a pdf of the signed copy as an attachment to an e-mail directed to franchising@phohoa.com.