

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

## Some States Require Registration

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

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### List of Exhibits

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| EXHIBIT A            | <del>List of</del> 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 <del>as of the Effective Date</del>                                                  |
|                      | Schedule E Spousal Consent                                                                                                   |
|                      | Schedule F Collateral Assignment <del>of Telephone Numbers, Addresses, Listing and Assumed or Fictitious Business Name</del> |
|                      | Schedule G Catering Addendum                                                                                                 |
|                      | Schedule H SBA Addendum                                                                                                      |
| EXHIBIT D            | <u>State-Required Addenda</u>                                                                                                |
| <u>EXHIBIT E</u>     | Franchise Application                                                                                                        |
| <del>EXHIBIT E</del> | <del>[Intentionally Omitted]</del>                                                                                           |
| EXHIBIT F            | Addendum to Lease                                                                                                            |
| EXHIBIT G            | General Release                                                                                                              |
|                      | <del>Schedule A Dispute Resolution</del>                                                                                     |
| <del>EXHIBIT H</del> | <del>Personal Guaranty</del>                                                                                                 |
|                      | <del>Schedule A Ownership Interest</del>                                                                                     |
|                      | <del>Schedule B Dispute Resolution</del>                                                                                     |
| EXHIBIT <del>H</del> | Confidentiality, Non-Disclosure and Non-Competition Agreement                                                                |
|                      | <del>Schedule A Dispute Resolution</del>                                                                                     |
| EXHIBIT <del>J</del> | <del>State-Required Addenda</del>                                                                                            |
| <del>EXHIBIT K</del> | Financial Statements                                                                                                         |
| EXHIBIT <del>L</del> | <del>Phở Hòa® Restaurants</del> <u>J Outlets</u>                                                                             |
| EXHIBIT <del>M</del> | <u>K Manual</u> Table of Contents <del>Confidential Operations and Recipe Manuals</del>                                      |
| EXHIBIT <del>N</del> | <u>L Renewal Amendment</u>                                                                                                   |
| <del>EXHIBIT O</del> | <del>Receipts</del> <u>State Effective Dates</u>                                                                             |
|                      | <u>Receipt</u> (2 copies)                                                                                                    |

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~~Operating Affiliate 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](http://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**”).

| Dates | Employer                       | Title/Occupation and Duties                                                                                  |
|-------|--------------------------------|--------------------------------------------------------------------------------------------------------------|
| 2010  | Corporation,<br>Sacramento, CA | 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,<br>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,<br>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 DE**) 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.

| TYPE OF FEE                       | AMOUNT                                                                                          | DUE DATE                                                                                                                                                                          | REMARKS                                                                                                                                                                                                                                                                 |
|-----------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   |                                                                                                 |                                                                                                                                                                                   | 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<br>See Note 6 | \$100-\$500/day                                                                                 | By no later than the 10 <sup>th</sup> 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.<br><br>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. If a fee is subject to adjustment, except as otherwise noted, we may increase the fee by up to 10% per year.

**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

**ITEM 7.**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

| TYPE OF EXPENDITURE                                                                                                             | AMOUNT<br>(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 ( <b>Exhibit DE</b> ) 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<br>(see Note 1)                                                           | \$3,000 - \$9,650      | Cash or as arranged | As incurred                                                                                                                                                                                                         | Miscellaneous third parties                                   |
| Real Estate Costs Payable Before Opening<br>(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<br>(see Note 2)                                                | \$17,250 - \$37,950    | Cash or as arranged | Upon signing the lease; then, typically, monthly as arranged.                                                                                                                                                       | Landlord                                                      |
| Leasehold Improvements<br>(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<br>(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<br>(see Note 5) | \$12,615 - \$22,877    | Cash or as arranged | Before opening, upon purchase or as otherwise arranged.                                                                                                                                                             | Third party suppliers                                         |
| Opening Inventory<br>(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                      |

| TYPE OF EXPENDITURE                                                                                                                                         | AMOUNT<br>(See Note 1) | METHOD OF PAYMENT   | WHEN DUE                                                                                                                                                                                                                                                                                                                                                                                                 | TO WHOM PAYMENT IS TO BE MADE                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Tableware, Smallware, Supplies, and Uniforms<br>(see Note 7)                                                                                                | \$8,500 - \$14,000     | Cash or as arranged | <del>We</del> Before your Phở Hòa® restaurant opens, you will buy for you from us an initial supply inventory of Proprietary Products, including logo serving bowls and dishes from us before your Phở Hòa® restaurant opens. <del>We will buy for you</del> other smallwares and supplies, and <del>provide an allowance to purchase</del> uniforms for opening employees that you need before opening. | Us and approved third -party suppliers and vendors                                   |
| Professional Fees<br>(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<br>(Security Deposit payable under the lease is included in Real Estate Costs Before Opening)<br>(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<br>(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)<br>(see Note 11)                                                                                        | \$30,000 - \$45,000    | Cash or as arranged | <del>Unless you qualify for the one-year waiver described above, you</del> 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.

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

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

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.

| OBLIGATION                   | SECTION IN FRANCHISE AGREEMENT                | DISCLOSURE DOCUMENT ITEM |
|------------------------------|-----------------------------------------------|--------------------------|
| 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                  |
| 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 MK** a copy of the Table of Contents of our current Manual. At this time, the Manual consists of a total of approximately ~~460~~510 pages over multiple volumes covering operations, recipes and catering standards. **Exhibit MK** 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 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.)

3. ~~2.~~ We will provide you with specifications for the design, appearance, equipment and leasehold improvements of a typical Phở Hòa® restaurant and a sample layout for kitchen equipment (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 also 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~~ specifications and designated suppliers for the digital menus, computer system, and other technology used in the operation of your Phở Hòa® restaurant. (Franchise Agreement, Paragraph ~~V.A.1.)~~ XIII.F.) We currently do not provide equipment, signage, or fixtures directly to our franchisees.

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 and ship to 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.) We will also provide you with specifications for non-proprietary products that can be purchased from any approved supplier. (Franchise Agreement, Paragraph XIII.C) We do not supply non-proprietary products to our franchisees.

7. If you enter into a Catering Addendum before opening, we will sell and ship to you a Catering Package containing certain inventory, packaging materials, and other smallwares. (Catering Addendum, Section 3.C.) We will provide specifications for additional catering supplies that you must purchase from designated third-party suppliers (Catering Addendum, Section 3.A.).

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 Operating Affiliate](#), which owns the Phở Hòa® Marks. Our [Parent Operating Affiliate](#) 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 Operating Affiliate](#) 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 Operating Affiliate](#) 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~~ [Neither we nor our Operating Affiliate is obligated to](#) spend the Marketing Fund ~~in or any other amounts on advertising in the area where your Phở Hòa® restaurant is located or~~ [any given other specific](#) geographic region ~~or. We do not promise~~ 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.

Our Operating Affiliate 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 Operating Affiliate may reimburse ourselves for direct costs that we or our affiliates incur to maintain and administer the Marketing Fund.

In our fiscal year ended December 31, 2025, our Operating Affiliate spent Marketing Fees collected from our franchisees and affiliates as follows: (i) 15% on production; (ii) 40% on media placement; (iii) 10% on administrative expenses; and (iv) 35% on third-party marketing management, consulting, and agency services (including campaign execution, CRM systems and support services). Amounts not spent in the same fiscal year they are collected are retained for use in the next fiscal year. Our Operating Affiliate does not spend Marketing Fees on soliciting new franchise sales.

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

| SUBJECT          | HOURS OF CLASSROOM TRAINING | HOURS OF ON-THE-JOB TRAINING                                                                                                  | LOCATION                 |
|------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------|
|                  |                             |                                                                                                                               | 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 3<sup>rd</sup>

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~~ the following primary Phở Hòa® 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             | <br>Phở Hòa Noodle Soup,<br>stylized lady logo <del>(as shown on page 1 of this disclosure document)</del> | 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 ([see Exhibit H](#)), 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 H**. 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 HC, Schedule B**) 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 (**Exhibit C, Schedule E** ~~to the Franchise Agreement~~) acknowledging that your obligations under the Franchise Agreement are binding upon the marital community.

**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. | <p>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 (<b>Exhibit G</b>), pay the renewal fee, and sign our then-current Franchise Agreement and the Renewal Amendment (<b>Exhibit NL</b>).</p> <p>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.</p> |
| 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 ( <b>Exhibit JD</b> ).                                                                                                                                                                                                                                                                                                                   |
| 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.                                                                                                                                                                                                                                                                                  |
| h. "Cause" defined-non-curabl                     | XVII.B.                             | The Franchise Agreement identifies non-curable defaults. They include: your breach of the lease and loss of the right to occupy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| PROVISION                                              | SECTION IN FRANCHISE AGREEMENT | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| e defaults                                             |                                | 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.                       | <p>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 (<b>Exhibit G</b>); upon request, assign your telephone numbers and business listings to us (<b>Exhibit C, Schedule F</b>); 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.</p> <p>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).</p> <p>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.</p> |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| PROVISION                                                                 | SECTION IN FRANCHISE AGREEMENT | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                           |                                | 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 ( <b>Exhibit G</b> ); 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. <a href="#">This provision is subject to state law. See State-Required Addenda (Exhibit D).</a>                                                                                                                                                                                                                                       |
| 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. <a href="#">This provision is subject to state law. See State-Required Addenda (Exhibit D).</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| PROVISION                                         | SECTION IN FRANCHISE AGREEMENT | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   |                                | 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. <del>These provisions are</del> <a href="#">This provision is</a> subject to state law. See State-Required Addenda ( <a href="#">Exhibit JD</a> ).<br><br>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 ( <a href="#">Exhibit JD</a> ). |
| 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 ( <a href="#">Exhibit JD</a> ).                                                                                                                                                                                                                                                             |
| 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 ( <a href="#">Exhibit JD</a> ).                                                                                                                                   |

## 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

| 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                 | <u>20</u>                                                          | <u>20</u>                                                       | <u>01</u>                                                            |
| <del>Georgia</del> Florida | <u>10</u>                                                          | 1                                                               | 0                                                                    |
| <del>Washington</del>      | <u>1</u>                                                           | <u>2</u>                                                        | <u>0</u>                                                             |
| TOTAL                      | <u>40</u>                                                          | <u>51</u>                                                       | <u>01</u>                                                            |

~~Attached as Exhibit L-1 is~~ Exhibit L-1 includes all of the following:

- 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 (i) 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; or~~ (ii) 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; and~~
- ~~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.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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 following contracts ~~we use in this state~~ are attached as exhibits to this Disclosure Document ~~as follows~~:

|                      |                                                                              |
|----------------------|------------------------------------------------------------------------------|
| EXHIBIT C            | Franchise Agreement <u>(including Personal Guaranty and Spousal Consent)</u> |
| EXHIBIT D            | <del>State-Required Addenda</del>                                            |
| <u>EXHIBIT E</u>     | Franchise Application                                                        |
| EXHIBIT F            | Addendum to Lease                                                            |
| EXHIBIT G            | General Release                                                              |
| EXHIBIT H            | <del>Personal Guaranty</del>                                                 |
| <del>EXHIBIT I</del> | Confidentiality, Non-Disclosure and Non-Competition Agreement                |
| EXHIBIT J            | <del>State-Required Addenda</del>                                            |
| <del>EXHIBIT N</del> | <u>L</u> 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](http://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:

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

**EXHIBIT B****AGENTS FOR SERVICE OF PROCESS**

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

**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
- E. Spousal Consent
- 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:

**RECITALS**

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

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 physical 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 shall purchase the software and hardware, including digital menu boards, required for the network system, point-of-sale computer, and cash collection system from the suppliers that Franchisor designates in the Manual. 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

## EXHIBIT D

### 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:

**RECITALS**

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 PHO' HOA® 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.

7.

**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:

**RECITALS**

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.

| <u>COMPANY:</u>                                                       | <u>FRANCHISEE:</u> |
|-----------------------------------------------------------------------|--------------------|
| <u>SOUTH BAY SOUP CORPORATION,</u><br><u>a California corporation</u> | <u>[NAME]</u>      |
| 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:

**RECITALS**

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:

**RECITALS**

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:

**SOUTH BAY SOUP CORPORATION**

a California corporation

By:

Name:

Title:

FRANCHISEE:

\_\_\_\_\_

By:

Name:

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.

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT  
AND ALL RELATED AGREEMENTS**

THIS WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS ("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 parties are amending the Franchise Agreement and related agreements to comply with Washington law. Any capitalized terms used and not defined in this Addendum shall have the same meaning assigned to those terms in the Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, 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 E**

**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

EXHIBIT **EF**  
LEASE ADDENDUM

**EXHIBIT FG**

**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.

1. SCHEDULE A

All of the following provisions are incorporated by reference into the attached documents:

Ownership of Debtor

| Name         | Address | Percentage of Ownership |
|--------------|---------|-------------------------|
|              |         |                         |
|              |         |                         |
|              |         |                         |
|              |         |                         |
| <u>Total</u> |         | <u>100%</u>             |

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**



**CONFIDENTIALITY,  
NON-COMPETITION AGREEMENT ("AGREEMENT")**

**AND**

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

## 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:

**RECITALS**

~~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:

**RECITALS**

~~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. Permitted 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. Permitted 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:

**RECITALS**

~~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.~~

| <b>COMPANY:</b>                                                | <b>FRANCHISEE:</b> |
|----------------------------------------------------------------|--------------------|
| <b>SOUTH BAY SOUP CORPORATION,</b><br>a California corporation | <b>[NAME]</b>      |
| 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:

**RECITALS**

~~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 PHO' HOA® 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:**

**SOUTH BAY SOUP CORPORATION**

a California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

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

Name: \_\_\_\_\_

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**

**EXHIBIT J**  
**OUTLETS**

**FRANCHISED LOCATIONS FOR WHICH A FRANCHISE AGREEMENT WAS SIGNED  
BUT WHICH WERE NOT OPEN AS OF DECEMBER 31, 2025**

[None.](#)

| Franchise name                  | Address                                                 | Franchisee Name        | Telephone Number          |
|---------------------------------|---------------------------------------------------------|------------------------|---------------------------|
| <del>Phở Hòa® Noodle Soup</del> | <del>27483 Newport Rd Ste A<br/>Menifee, CA 92584</del> | <del>Hien Nguyen</del> | <del>(714) 902-4670</del> |
| <del>Phở Hòa® Noodle Soup</del> | <del>TBD, Washington</del>                              | <del>Alex Cho</del>    | <del>(360) 529-8082</del> |

### AFFILIATE-OWNED LOCATIONS AS OF DECEMBER 31, 2025

| Affiliate-Owned                 | Address                         | City                 | State         | Zip Code         | Telephone Number        |
|---------------------------------|---------------------------------|----------------------|---------------|------------------|-------------------------|
| <del>Phở Hòa® Noodle Soup</del> | <del>1089 S. De Anza Blvd</del> | <del>Cupertino</del> | <del>CA</del> | <del>95129</del> | <del>408-366-0544</del> |
| 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

| <u>Affiliate-Owned</u>      | <u>Address</u>              | <u>City</u>      | <u>State</u> | <u>Zip Code</u> | <u>Telephone Number</u> |
|-----------------------------|-----------------------------|------------------|--------------|-----------------|-------------------------|
| <u>Phở Hòa® Noodle Soup</u> | <u>1089 S. De Anza Blvd</u> | <u>Cupertino</u> | <u>CA</u>    | <u>95129</u>    | <u>408-366-0544</u>     |

## 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 | <del>Pending</del> <a href="#">April 15, 2026</a> |
| Illinois   | <del>Pending</del> <a href="#">April 6, 2026</a>  |
| Indiana    | <del>Pending</del> <a href="#">April 13, 2026</a> |
| Maryland   | <i>Pending</i>                                    |
| Minnesota  | <i>Pending</i>                                    |
| Virginia   | <del>Pending</del> <a href="#">April 20, 2026</a> |
| Washington | <i>Pending</i>                                    |

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 <del>List of Federal and</del> State Franchise Administrators | <del>EXHIBIT D</del> <u>State-Required Addenda</u>                                                        |
| EXHIBIT B Agents for Service of Process                                 | EXHIBIT <del>D</del> <u>E</u> Franchise Application                                                       |
| EXHIBIT C Franchise Agreement                                           | EXHIBIT <del>E</del> <u>F</u> Addendum to Lease                                                           |
| Schedule A – Authorized Location and Territory                          | EXHIBIT <del>F</del> <u>G</u> General Release                                                             |
| Schedule B – Personal Guaranty                                          | <del>Schedule A – Dispute Resolution</del>                                                                |
| Schedule C – Addendum to Lease                                          | EXHIBIT <del>G</del> <u>H</u> Confidentiality, Non-Disclosure and Non-Competition Agreement               |
| Schedule D – Franchisee's Covered Persons as of the Effective Date      | <del>Schedule A – Dispute Resolution</del>                                                                |
| Schedule E – Spousal Consent                                            | <del>EXHIBIT H – State-Required Addenda</del>                                                             |
| Schedule F – Collateral Assignment                                      | EXHIBIT I Financial Statements                                                                            |
| Schedule G – <u>Catering Addendum</u>                                   | EXHIBIT J Outlets                                                                                         |
| <u>Schedule H – SBA Addendum</u>                                        | EXHIBIT K <u>Manual</u> Table of Contents <del>Confidential Operations, Recipe and Catering Manuals</del> |
|                                                                         | EXHIBIT L Renewal Amendment <del>to Franchise Agreement</del>                                             |
|                                                                         | <del>State Effective Dates</del>                                                                          |
|                                                                         | <del>Receipt (2 copies)</del>                                                                             |

Date Received: \_\_\_\_\_

(Do not leave blank)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Signature of Prospective Franchisee

Print Name: \_\_\_\_\_

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This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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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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| Schedule B – Personal Guaranty                                          | EXHIBIT H <del>Confidentiality, Non-Disclosure and Non-Competition Agreement</del> |
| Schedule C – Addendum to Lease                                          | EXHIBIT I <del>Schedule A – Dispute Resolution</del>                               |
| Schedule D – Franchisee's Covered Persons as of the Effective Date      | EXHIBIT J <del>State-Required Addenda</del>                                        |
| Schedule E – Spousal Consent                                            | EXHIBIT K <del>Financial Statements</del>                                          |
| Schedule F – Collateral Assignment                                      | EXHIBIT L <del>Outlets</del>                                                       |
| Schedule G – <u>Catering Addendum</u>                                   | EXHIBIT M <del>Manual Table of Contents—</del>                                     |
| Schedule H – <u>SBA Addendum</u>                                        | EXHIBIT N <del>Confidential Operations, Recipe and Catering Manuals</del>          |
|                                                                         | EXHIBIT O <del>Renewal Amendment to Franchise Agreement</del>                      |
|                                                                         | EXHIBIT P <del>State Effective Dates</del>                                         |
|                                                                         | EXHIBIT Q <del>Receipt (2 copies)</del>                                            |

Date Received: \_\_\_\_\_

(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](mailto:franchising@phohoa.com).