

FRANCHISE DISCLOSURE DOCUMENT

WinStar 85C, LLC
a Delaware limited liability company
1415 Moonstone
Brea, California 92821
TEL: (714) 459-~~1600~~[9585](tel:7144599585)
~~cecilia_ma@85cbakerycafe.com~~
85US_FRANCHISE@85cbakerycafe.com
www.85cbakerycafe.com



We offer ~~area development rights and~~ single unit franchises awarding the right to operate brick-and-mortar bakery cafes under the 85°C Bakery Cafe trademarks and business systems featuring bread, cakes, coffee, tea and other specialty items, as well as other complementary menu items.

The total investment necessary to begin operation of an 85°C Bakery Cafe franchise business is ~~\$1,095,305~~[\\$19,130](#) to ~~\$2,500,130~~[\\$1,771,780](#). This includes the ~~\$140,100~~,125 to ~~\$200,150~~,500 that must be paid to the franchisor or its affiliate(s). ~~If you want to obtain area development rights pursuant to an Area Development Agreement, you will pay an Area Development Fee of \$250,000 for each 85°C Bakery Cafe you agree to open when you sign the Area Development Agreement. There is no minimum or maximum number of 85°C Bakery Cafe you must open to obtain area development rights. You and the franchisor will agree to the number of 85°C Bakery Cafes you must open under the Area Development Agreement. Assuming you and the franchisor agree on three (3) 85°C Bakery Cafes under the Area Development Agreement, the total investment necessary, inclusive of the Area Development Fee, plus the estimated investment necessary to open your first 85°C Bakery Cafe under the Area Development Agreement, is \$1,845,305 to \$3,250,130, of which \$890,125 to \$950,500 must be paid to the franchisor or its affiliate(s).~~

This disclosure document summarizes certain provisions of your Franchise ~~Agreement, Area Development Agreement~~ and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact ~~Cecilia Ma~~[Keshia Panganiban](#), 1415 Moonstone, Brea, California 92821, (714) 459-~~1600~~[9585](tel:7144599585), ~~cecilia_ma@85cbakerycafe.com~~85US_FRANCHISE@85cbakerycafe.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March ~~14, 2025~~ 13, 2026

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and which show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligation, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

THIS MICHIGAN NOTICE ONLY APPLIES TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHIES IN MICHIGAN.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits and losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit ED .
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit FE includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only 85°C Bakery Cafe business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a 85°C Bakery Cafe franchisee?	Item 20 or Exhibit ED lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in California. Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate, or litigate with the franchisor in California than in your own state.
2. **Supplier Control**. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from franchisor's affiliate located in Taiwan, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
- ~~2.~~3. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

WINSTAR 85C, LLC
FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

ITEM 1	The Franchisor and any Parents, Predecessors, and Affiliates.....	1
ITEM 2	Business Experience	3
ITEM 3	Litigation.....	4
ITEM 4	Bankruptcy	4
ITEM 5	Initial Fees.....	4
ITEM 6	Other Fees	4
ITEM 7	Estimated Initial Investment	8
ITEM 8	Restrictions on Sources of Products and Services	10
ITEM 9	Franchisee's Obligations	12
ITEM 10	Financing.....	14
ITEM 11	Franchisor's Assistance, Advertising, Computer Systems, and Training.....	14
ITEM 12	Territory	20
ITEM 13	Trademarks.....	23
ITEM 14	Patents, Copyrights, and Proprietary Information.....	24
ITEM 15	Obligation to Participate in the Actual Operation of your Business	25
ITEM 16	Restrictions on what the Franchisee may Sell.....	26
ITEM 17	Renewal, Termination, Transfer and Dispute Resolution	26
ITEM 18	Public Figures	30
ITEM 19	Financial Performance Representations.....	30
ITEM 20	Outlets and Franchisee Information	31
ITEM 21	Financial Statements	32
ITEM 22	Contracts	32
ITEM 23	Receipt	33
EXHIBIT A	Franchise Agreement	
EXHIBIT B	~~Area Development Agreement~~	
~~EXHIBIT C~~	Table of Contents of the Manual	
EXHIBIT ~~DC~~	State Law Addenda to FDD; <u>and</u> Franchise Agreement ~~and Area Development Agreement~~	
EXHIBIT ~~ED~~	List of Franchisees	
EXHIBIT ~~FE~~	Financial Statements	
EXHIBIT ~~GF~~	List of State Agencies/Agents for Service of Process	
EXHIBIT ~~HG~~	State Effective Dates	
EXHIBIT ~~IH~~	Receipt	

WINSTAR 85C, LLC

FRANCHISE DISCLOSURE DOCUMENT

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document (“**Disclosure Document**”), “**we**”, “**us**” and “**our**” means WinStar 85C, LLC, the franchisor. “**You**” and “**your**” mean the person who buys the franchise. If the franchise will be owned by a corporation or partnership or limited liability company, “**you**” and “**your**” also mean the owners of the corporation or partners of the partnership or members and manager of the limited liability company and their spouses.

The Franchisor and any Parents, Predecessors and Affiliates.

WinStar 85C, LLC is a Delaware limited liability company which maintains its principal place of business at 1415 Moonstone, Brea, California 92821. We were formed on May 13, 2020, and our agents for service of process are disclosed in Exhibit G. We have no predecessors. We do not conduct business under any other name. We do not offer franchises in any other line of business.

Our parent company is Prime Scope Trading Limited (“**Prime Scope**”), a company formed under the laws of Hong Kong, on April 18, 2008. Prime Scope’s principal place of business is at Flat A6, Block A, 3/F, Mai Shun Industry Building, No. 18024, Kwai Cheong Street, Kwai Chung, Hong Kong. Prime Scope, through its various other subsidiaries, owns, operates, licenses and/or franchises 85°C Bakery Cafes outside of the United States. Prime Scope does not provide any post-sale services to the franchise owners.

Prime Scope’s parent company is Gourmet Master Co Ltd (“**Gourmet Master**”), a company formed under the laws of Cayman Islands, on September 26, 2008. Gourmet Master’s principal place of business is at No. 35, Gongyequ 23rd Rd., Nantun Dist., Taichung City 408, Taiwan. Gourmet Master is publicly traded on the Taipei Exchange under ticker number 2723. Gourmet Master, through Prime Scope and its other subsidiaries, also owns, operates, licenses and/or franchises 85°C Bakery Cafes and other food and beverage concepts around the world, ~~namely Secret Cake, Top One Pot, Orissie, Chagather Yakiniku, L.Z. Dessart and Better Simple.~~ Gourmet Master does not provide any post-sale services to the franchise owners.

Gourmet Master also owns Comestibles Master Co., Ltd. (“**Comestibles**”), a company formed under the law of Taiwan, on February 3, 2005. Comestibles’ principal place of business is at No. 35, Gongyequ 23rd Rd., Nantun Dist., Taichung City 408, Taiwan. Comestibles owns the Proprietary Marks that we describe in Item 13. Comestibles licenses the Proprietary Marks to Prime Scope, who, in turn, licenses the Proprietary Marks to us, with the right for us to sublicense the Proprietary Marks to its subsidiaries and franchisees in the United States. Comestibles does not offer franchises in any line of business.

Perfect 85 Degrees C, Inc. (“**Perfect 85**”), our affiliate, is a California corporation which maintains its principal place of business at 1415 Moonstone, Brea, California 92821. Perfect 85 was formed on November 22, 2010. Perfect 85 will be a supplier of certain proprietary products to you, including premixes, pre-packed products, packaging materials, frozen dough and other semi-finished ingredients. Perfect 85 does not offer franchises in any line of business.

Our affiliates, Winpin 85 Investments, LLC (“**Winpin**”), a Delaware limited liability company, and Golden Investments, LLC, (“**Golden**”), a California limited liability company, own and operate 85°C Bakery Cafes throughout the United States, ~~including but not limited to California, Washington, Texas, Nevada and Arizona.~~ Winpin was formed on January 15, 2015, and Golden was formed on December 30, 2010. Both

Winpin and Golden have their principal place of business at 1415 Moonstone, Brea, California 92821. Neither Winpin nor Golden offers franchises in any line of business.

The Franchisor's Business

We began offering franchises for 85°C Bakery Cafes in the United States in September of 2020. Our affiliate, Gourmet Master, through its various other subsidiaries, owns, operates, licenses and/or franchises over 1,100 85°C Bakery Cafes around the world, ~~namely in China, Taiwan, the United States, Australia, Hong Kong and Cambodia.~~ The 85°C Bakery Cafes in the United States are owned and operated by Winpin and Golden.

We offer franchisees the right to own and operate 85°C Bakery Cafes (each, a “**Franchised Restaurant**”) utilizing the 85°C Bakery Cafes system (the “**System**”).

The Franchised Business

An 85°C Bakery Cafe franchisee operates a bakery cafe that sells bread, cakes, coffee, tea and other specialty items. The award of a franchise under the Franchise Agreement gives you the right to own and operate one 85°C Bakery Cafe at an approved location. Under the franchise agreement you must execute for each 85°C Bakery Café (“**Franchise Agreement**”), you must (a) identify your store using specific trademarks that we designate, (b) construct and build-out the premises to meet our design and appearance specifications, and (c) operate the Franchised Restaurant in accordance with our System. The current form of Franchise Agreement is attached to this Disclosure Document as Exhibit A.

~~We also may choose to offer you an Area Development Agreement (“**Area Development Agreement**”), which requires you to establish and open more than one Franchised Restaurant within a defined geographical area within a mutually agreed upon time period. If you are an area developer, you are required to sign the then current version of Franchise Agreement as you develop each Franchised Restaurant, which could be materially different from the Franchise Agreement that is described in this Disclosure Document. The current form of Area Development Agreement is attached to this Disclosure Document as Exhibit B.~~

General Market for Your Products and General Description of Competition

85°C Bakery Cafes operate year-round and utilize a fast-casual/take-out service format to serve the general public. The food and beverage industry is highly competitive in matters concerning price, service, location, selection, product quality, promotional activities and guest services. It is often affected by changes in consumer tastes, economic conditions, demographics and traffic patterns. You will compete with numerous other restaurants, bakeries, cafes and beverage shops offering a wide range of comparably priced bakery and beverage items in a wide variety of service formats. Your direct competitors will include bakeries, coffee shops and teahouses; however, you will also compete with restaurants and other retail food establishments, including supermarkets and convenience stores. You should anticipate competing against national and regional franchise systems and other chains, as well as independently-owned food and beverage establishments located near your 85°C Bakery Cafe.

Your business will also be affected by its location, locations of competing businesses, your financial and managerial capabilities, the availability of labor, prevailing interest rates, changes in traffic patterns, demographic and economic conditions and many other factors.

Law and Regulations

Your Franchised Restaurant must comply with federal, state and local laws and regulations affecting the business, including state and local licensing laws, advertising, consumer protection statutes, zoning, land use and construction regulations, federal and state environmental laws and regulations, and various health,

safety, sanitation and fire standards. Counties typically establish health and safety standards and regulations, which 85°C Bakery Cafes must meet, including health permit and food handling certifications. These requirements can vary widely among jurisdictions, can be very strict and may involve Public Health Department inspections. You should be careful to ensure that you have a full understanding of the laws and regulations that may apply to your Franchised Restaurant and its location. You must also comply with employment laws, like the Fair Labor Standards Act, and state laws covering matters like minimum wages, overtime and working conditions. You must also assist us in complying with federal anti-terrorism laws and executive orders.

ITEM 2 **BUSINESS EXPERIENCE**

Ming Hua Kuo Chief Executive Officer

Since our inception in May 2020, Ming Hua Kuo has been our Chief Executive Officer. Since February 2018, Mr. Kuo has also been the Chief Executive Officer of Winpin and Perfect, both located in Brea, California.

Cecilia MaRaul Garcia Director of ~~Business Development, Real Estate and~~ Franchise Relations

~~Since our inception in May 2020, Cecilia MaRaul Garcia~~ has been our Director of ~~Business Development, Real Estate and~~ Franchise Relations since January 2020. Ms. Ma has also been the Director of Real Estate & Business Development of 2026. Mr. Garcia joined Winpin, located in Brea in July 2011 and was part of the team that opened Winpin's 85°C Bakery Cafe in Hacienda Heights, California. ~~From June 2017 to December 2019, Ms. Ma was the~~ Since joining Winpin, Mr. Garcia has managed multiple locations throughout Southern California, Northern California, and Nevada. Since May 2018, Mr. Garcia has served as Winpin's Regional Director of Operations.

Jeffrey Louie Multi-Unit Manager of ~~Winpin's Real Estate & Business Development~~ Franchise Relations

Jeffrey Louie has been our Multi-Unit Manager of Franchise Relations since November 2024. Mr. Louie joined Winpin in 2012 as an associate at Winpin's 85°C Bakery Cafe in Hacienda Heights, California. In 2017, he was promoted to General Manager of Winpin's 85°C Bakery Cafe in Fullerton, California. From 2012 to 2024, Mr. Louie also worked at various other Winpin 85°C Bakery Cafes in Southern California. Mr. Louis is currently also a member of Winpin's Franchise Relations team.

Keshia Panganiban Supervisor of Business Development

Keshia Panganiban has been our Supervisor of Business Development since June 2023. Ms. Panganiban joined Winpin in November 2015 as an associate at Winpin's 85°C Bakery Cafe in Irvine, California. She was promoted to supervisor of the cafe in September 2018. From October 2020 to December 2021, Ms. Panganiban also worked at various other Winpin 85°C Bakery Cafes in Southern California. In January 2022, Ms. Panganiban became a member of our and Winpin's Business Development Team in Brea, California. Ms. Panganiban was promoted to the position of Supervisor of Business Development for us and Winpin in June 2023 and has since been serving in that capacity.

~~Tiffany Yip~~ ~~Manager of Operations Services~~

~~Tiffany Yip~~ Simone Davis Supervisor of Business Development

Simone Davis has been our ~~Manager of Operations Services~~ Business Development Supervisor since ~~October 2023. June 2024.~~ Ms. ~~Yip~~ Davis joined Winpin in ~~June 2020~~ February 2023 as ~~the Deputy Manager~~

~~of Training a Business Development Specialist~~ and was promoted to ~~Manager of Training~~ Business Development Supervisor in ~~January 2021. In October 2023, Ms. Yip was promoted to our and Winpin's Manager of Operations Services.~~ June 2024. Prior to working for Winpin and us, Ms. ~~Yip~~ Davis worked ~~for Creamistry for six years, starting as an associate~~ Assistant Property Director for REMM Group, in ~~Irvine~~ Santa Ana, California, ~~and getting promoted to Manager of the Training and Franchise Relations department in Yorba Linda in January 2022 and Davlyn Investments, in Riverside, California- from 2019 to 2021.~~

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

ITEM 5 **INITIAL FEES**

Franchise Agreement

You must pay us an initial franchise fee (the “**Initial Franchise Fee**”) of \$50,000 when you sign each Franchise Agreement. ~~Regardless of whether you have signed an Area Development Agreement, the~~ The Initial Franchise Fee for your second and each subsequent 85°C Bakery Cafes will be discounted to \$40,000. The Initial Franchise Fee is due in lump sum at the time you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us when paid and is non-refundable to you under any circumstances. ~~If you have signed an Area Development Agreement, you will also sign the Franchise Agreement for your first 85°C Bakery Cafe at the same time you sign the Area Development Agreement.~~

Area Development Agreement

~~If you are a franchisee under our area development program, you will pay us an area development fee (the “**Area Development Fee**”) in the amount equal to \$250,000 multiplied by the number of 85°C Bakery Cafes you agree to open under the Area Development Agreement when you sign the Area Development Agreement. No portion of the Area Development Fee will be credited against the amount of the Initial Franchise Fee you must pay when you sign a Franchise Agreement for a particular Franchised Restaurant. The Area Development Fee is payable in lump sum when you execute the Area Development Agreement. The Area Development Fee is fully earned by us when paid and is not refundable to you under any circumstances.~~

Initial Inventory

You must purchase frozen dough, semi-finished items, coffee beans, premix, prepacked items, packaging materials and small wares from our affiliates as part of your initial inventory. The amount of this portion of your initial inventory purchased prior to opening is ~~\$90~~ \$50,000 to ~~\$150~~ \$100,000. This amount is not refundable when paid.

Background Check and Asset Verification

As part of your application process, we will require to conduct a background check and asset verification for each of your owners. We estimate the background check and asset verification fee to be approximately

\$125 to \$500 for each person. This amount is not refundable when paid.

All fees and expenses described in this Item 5 are nonrefundable.

ITEM 6
OTHER FEES*

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Continuing Royalties ~~***~~ ~~***~~	6.5% of Gross Sales***	Wednesdays for the Monday through Sunday period of the preceding week	
Marketing Fee**	1% of Gross Sales***	Wednesdays for the Monday through Sunday period of the preceding week	We reserve the right to increase the Marketing Fee up to and including 2% of Gross Sales.
Software Subscription and Information Technology (IT) Support Fee**	\$1, ~~000~~ 300 per month	Payable Monthly	These fees include the POS system software subscription fee and the fee for IT support provided by us.
Supplemental Guidance	Based upon actual costs incurred by us in providing guidance and assistance	Payable as incurred	Payable only if you request supplemental guidance and we agree to provide supplemental guidance.
Additional Site Evaluation Costs	Our reasonable costs and expenses incurred, including travel, lodging and out-of-pocket expenses.	Payable as incurred	We provide up to 3 on-site visits in connection with the opening of each Franchised Restaurant without you incurring any additional costs. This will include up to 2 visits for construction review purposes and 1 visit for site evaluation purposes. If we provide any additional on-site visits, you must also reimburse us for our reasonable costs and expenses incurred, including travel, lodging and out-of-pocket expenses.
~~Technology Fee~~ <u>IT Installation On-Site</u>	~~Initially, up to \$200- per month, if we implement this fee. The then-current fee. Currently \$760 per day per IT~~	~~Payable monthly~~ <u>On demand.</u>	~~We do not currently collect a Technology Fee but reserve the right to do so. If charged, the Technology Fee is intended to cover any current or future~~

	<u>personnel, plus reimbursement of reasonable costs of travel, lodging, and other out-of-pocket expenses for our trainers.</u>		~~development of web or technology-based platforms, including, but not limited to, improvements to existing technologies such as delivery and takeout platforms, mobile applications and food cost management platforms.~~ <u>Payable only if you request that we perform the initial on-site installation of IT equipment.</u>
Late Fee	Lesser of (i) 1.5% per month or (ii) the maximum lawful rate. (Note 1)	On demand	We may charge late fees and any bank charges without notice on all overdue amounts. Late fees accrue from the original due date until paid in full.
Insufficient Funds Fee	The then-current fee. Currently \$100 per occurrence.	On demand.	We may charge you a \$100 fee per occurrence for all returned checks or insufficient funds in any electronic funds transfer account.
Additional Training & Support Fee	The then-current fee. Currently, the fee is \$360 per day per trainer (maximum 8 hours per day), plus reimbursement of reasonable costs of travel, lodging, and other out-of-pocket expenses for our trainers.	Before additional training	An estimate of our trainers' travel costs will be provided once training is scheduled. You must also pay the payroll costs for your personnel attending the training, and travel, lodging and other out-of-pocket expenses if the training location is not your Franchised Restaurant.
Remedial Training Fee	The then-current fee. Currently, the fee is \$360 per day per trainer, plus costs of travel, lodging, and other out-of-pocket expenses.	Before remedial training	You may be required to attend the remedial training if you fail a quality control inspection. If you ask and/or if we determine it is necessary in our sole discretion, we will provide trainers to conduct remedial training on-site at your Franchised Restaurant. An estimate of our trainers' travel costs will be

			provided once training is scheduled. You must also pay the payroll costs for your personnel attending the training.
Transfer Fee	50% of the then-current Initial Franchise Fee. Currently, the fee is \$25,000.	Upon the approval of transfer request	Payable when you sell your franchise rights, the Franchised Restaurant, or any ownership interests.
Successor Term Franchise Fee	50% of the then-current Initial Franchise Fee. Currently, the fee is \$25,000.	Upon execution of Successor Term Franchise Agreement	To enter into a Successor Term, you must execute the then standard form of Franchise Agreement.
Relocation Fee	25% of the then-current Initial Franchise Fee, plus the costs and expenses associated with the relocation. Currently, the fee is \$12,500.	Payable as incurred	
Management Fee	Our then-current fee (currently 10% of weekly Gross Sales***, plus expenses)	Upon demand	Payable if we or our affiliates manage your Franchised Restaurant because of your breach of the Franchise Agreement.
Audits	Cost of audit, including but not limited to travel expenses, room and board and compensation of employees and/or agents	15 days after receipt of audit report	Payable only if audit shows an understatement of more than 2% of Gross Sales for any four-week period.
Enforcement Costs	Will vary	Payable as incurred	You must pay our costs of enforcement if you do not comply with, or if you have breach, the Franchise Agreement.
Liquidated Damages	(1) \$300 per day;	(1) Upon demand.	(1) Payable for each day you fail to open for

	(2) \$25,000 per incident; or (3) An amount equals to the monthly average Continuing Royalties and Marketing Fee owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in 2 full years), or (b) the number of months remaining in the term of the Franchise Agreement had it not being terminated, whichever is less.	(2) Upon demand (3) Within 15 days after the effective date of termination	business by the opening deadline set forth in the Franchise Agreement or ~~the Area-Development-Agreement-comply~~ <u>with System standards</u> (2) Payable when you violate the non-competition provisions in the Franchise Agreement. (3) If we terminate your Franchise Agreement for cause, or if you terminate it without cause.
Compliance Audit	The then-current fee. Currently, the fee is \$360 per day plus costs of travel, lodging, and other out-of-pocket expenses for our personnel conduction the reinspection.	Upon demand	
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims under the Franchise Agreement- ~~or ADA.~~
Product Purchases	Price List	Upon demand	Payment must include cost of goods, taxes, shipping and handling. You must purchase certain

			food items for your Franchised Restaurant from us or our affiliates. The price and terms and conditions for these purchases are contained on the price list that we or our affiliates will supply to you from time to time (“ Price List ”). We reserve the right, for ourselves and our affiliates, to update the Price List and change the terms and conditions for these purchases at any time on 30 days’ notice.
Supplier Evaluation	Our costs	As incurred	Payable if you request to utilize a supplier that is not already approved by us.

* All fees are uniformly imposed on all franchisees.

** All fees are imposed by and are payable to us and will be automatically debited from the bank account designated on the ACH Authorization Agreement which you will sign and provide to us when you execute the Franchise Agreement. All fees payable to us [or our affiliates](#) are non-refundable.

*** “**Gross Sales**” are broadly defined in the Franchise Agreement to include the retail price of all sales from all business conducted at or in connection with the restaurant location established pursuant to the Franchise Agreement, excluding sales taxes.

(1) The highest interest rate allowed by law in California for late payments is 10% annually.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT*
UNDER THE FRANCHISE AGREEMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$50,000	Lump Sum	When you sign the Franchise Agreement	Us
Licenses, Permits, Fees and Deposits (Note 1)	~~\$25,000~~ <u>5,325</u> to ~~\$75,000~~ <u>35,100</u>	As Arranged	As incurred	Local and other state government agencies
Real Estate or Advance Rent and Security Deposit and other Prepaid Costs and Expenses (Note 2)	~~\$109,000~~ <u>50,000</u> to ~~\$905,000~~	As Arranged	As Incurred	Landlord or property owner
Building Costs/Leasehold Improvements (Note 3)	~~\$450,391,000~~ <u>1,350,902,000</u> to ~~\$1,350,902,000~~	As Arranged	Before opening	Your landlord, architect, and/or contractor
Equipment and Fixtures	~~\$275,185,000~~ <u>325,350,000</u> to ~~\$325,350,000~~	As Arranged	Before opening	Approved suppliers
Signs	~~\$15,000~~ <u>12,500</u> to ~~\$502,500~~	As Arranged	Before opening	Approved suppliers
Point of Sale System and Software	~~\$25,400~~ <u>15,500</u> to \$29,450	As Arranged	As incurred	Approved suppliers
Software Set Up Fee (Note 4)	\$450 one-time fee	As Arranged	As incurred	Approved suppliers
~~Hardware Rental Fee (Note 5)~~	~~\$450 per month~~	~~As Arranged~~	~~As incurred~~	~~Approved suppliers~~
Network and Store Management Solutions (Note ~~6~~ <u>5</u>)	~~\$3,080~~ <u>2,880</u> per year	As Arranged	As incurred	Approved suppliers

~~Computer (Note 7) Payment Processing & Online Ordering Service~~	~~\$800 to \$1,200~~ <u>\$550 per month</u>	As Arranged	As incurred	<u>Approved suppliers</u> ~~Vendor~~
Insurance (Note ~~8~~ 6)	~~\$10,000~~ <u>1,800</u> to ~~\$20,000~~ <u>\$5,850 per month</u>	As Arranged	As incurred	Insurance providers
Opening Inventory (Note ~~9~~ 7)	~~\$90~~ <u>50</u> ,000 to ~~\$150~~ <u>100</u> ,000	Lump Sum	Before opening	Our Affiliates
Expenses Incurred in Training (Note ~~10~~ 8)	~~\$75~~ <u>30</u> ,000 to ~~\$190~~ <u>90</u> ,000	As Arranged	As incurred	Approved suppliers and your employees
Grand Opening Advertising	\$10,000	As Arranged	As incurred	Approved suppliers
Attorney's Fees and Business Consultants	\$10,000 to \$20,000	As Arranged	As incurred	Attorneys, accountants and business advisors
Background Check and Asset Verification	\$125 to \$500 for each person	As Arranged	As incurred	Us
Additional Funds (for the initial 3 months of operations) (Note ~~11~~ 9)	\$45,000 to ~~\$135~~ <u>100</u> ,000	As Arranged	As incurred	Approved suppliers, employees and other creditors
Total Estimated Initial Investment	~~\$1,095,305~~ <u>819,130</u> to ~~\$2,500,130~~ <u>1,771,780</u>			

~~The chart above describes the estimated initial investment for one Franchised Restaurant. If you sign an Area Development Agreement, then you must also pay us an Area Development Fee equal to the number of Franchised Restaurants to be opened under the Area Development Agreement multiplied by \$250,000. You and the franchisor will agree to the number of 85°C Bakery Cafe you must open under the Area Development Agreement. Assuming you and the franchisor agree on three (3) 85°C Bakery Cafes under the Area Development Agreement, the total investment necessary, inclusive of the Area Development Fee, plus the estimated investment necessary to open your first 85°C Bakery Cafe under the Area Development Agreement, is \$1,845,305 to \$3,250,130.~~

* All fees payable to us or our affiliates are non-refundable.

- (1) These amounts represent the business license, and estimated utility deposits. The amount of your actual utility deposits will vary depending on the size of your Franchised Restaurant, the number of utilities your landlord requires you to pay and the number of utility companies that require a deposit. Usually, a landlord will require you to pay all utilities servicing your Franchised Restaurant. Typically, utility providers require a deposit equal to 1 month's average charge for that utility.

- (2) The size of a typical Franchised Restaurant will range from 2,800200 to 3,500000 square feet. If you do not own or purchase real estate for the Franchised Restaurant location, you will need to lease space from a landlord. In most cases, the landlord will require a security and/or rental deposit. Usually, the landlord will require you to pay the equivalent of 1 month's rent. Rental rates or deposits on an unknown location cannot be predicted in advance. However, the rental rates will most likely depend on the size and location of the Franchised Restaurant. These costs will vary greatly depending on the metropolitan area where the Franchised Restaurant will be located. These estimates are based on one month's rent for a security deposit and the first month's rent. The estimated initial investment assumes you will rent. If you purchase the property, your initial expenses will dramatically increase.
- (3) When a site has been selected, we will provide you with layout, drawings and design of a typical 85°C Bakery Cafe. The services of a licensed architect are usually required to detail the layout into construction plans. The licensed architect you choose must be approved by us. You will pay for the architect's services directly. The cost of construction, improvements or building varies widely by the size of the space, the existing improvements and local construction rates. Until a specific site is located and evaluated, a reliable estimate of costs cannot be projected. Sometimes you may receive a construction allowance from the landlord or you may lease a location which was already built out as a restaurant and, if so, the costs may be reduced accordingly. These estimated costs include all of the furniture and fixtures for the Franchised Restaurant. The costs shown are for all new equipment. The estimated cost is turnkey, including installation.
- (4) You must pay this fee directly to vendor to set up various software program to operate the Franchised Restaurant prior to opening.
- ~~(5) You must lease certain required hardware directly from vendor to operate the Franchised Restaurant prior to opening.~~
- ~~(6)~~(5) You must pay this fee directly to vendors for providing firewall and store module services.
- ~~(7) You must update and maintain as reasonably necessary a computer and Internet browser to enable you to participate on any Intranet we might establish and to communicate with us via email.~~
- ~~(8)~~(6) Rates are established by carriers based on a variety of factors, including location and claims history. We recommend that you work with a broker in your area to obtain an estimate of the insurance costs you could incur in your local area. The type of insurance you are required to maintain is described in Section 8.10 of the Franchise Agreement. The range provided are estimates for ~~6 months~~one month of premiums for the required comprehensive public and product liability insurance, broad form fire and extended coverage, vandalism, and malicious mischief insurance and workers' compensation and employer's liability insurance.
- ~~(9)~~(7) This estimate reflects the cost of the smallwares and the cost of opening inventory of products (including food and beverages) you purchase from suppliers and is estimated to cover the first 14-21 days of operations of your Franchised Restaurant. This also includes the initial costs of the products purchase from our affiliate as described in Item 5.
- ~~(10)~~(8) This is the range of expenses you, or your Restaurant Manager, and up to ~~7~~5 others may incur when attending training in an 85°C Bakery Cafe, or our corporate headquarters in Southern California for 8 weeks. This estimate does not include wages you pay to your trainees.
- ~~(11)~~(9) This item estimates ~~your~~certain additional expenses you may incur during the initial period of operation of the Franchised Restaurant (other than the items identified separately in this table). These expenses may include ~~estimated rent, payroll~~various operating costs, ~~benefits, such as~~ utilities, supplies, ~~etc.,~~ and other miscellaneous expenses but do not include inventory, Continuing Royalties, Marketing Fees, IT Support Fees, or an ~~owners'~~owner's draw or salary. These figures

are estimates, and you may ~~have~~incur additional expenses in order to start and operate the business. Our estimate is based on the experience of the 85°C Bakery Cafes opened by our affiliate, Winpin, in the United States.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the Franchised Restaurant according to the System. In order to ensure that the System is uniformly maintained, we have established standards and specifications for you to follow which are described in the Manual. Therefore, you are required to purchase all products, services, supplies, inventory, equipment, materials, computer systems (including POS System) and other items required for the operation of the Franchised Restaurant from manufacturers, suppliers, or distributors we approve, or from other suppliers who meet our specifications and standards. Upon your request, we will provide you with the required specifications for such other suppliers. Specification of a supplier may be conditioned on requirements relating to, among other things, frequency of delivery, standards of services, including prompt attention, as well as payments, contributions, or other consideration to us, our affiliates, any advertising fund and/or otherwise, and may be temporary, in each case in our reasonable discretion. We may, from time-to-time withhold, condition and/or revoke our approval of particular items or suppliers in its reasonable discretion. We have imposed these requirements in order to assure quality and uniformity of the decor and products sold to customers. Approved suppliers will be designated in the Manual or some other writing delivered to you. We may modify the list of approved brands, products and suppliers, and will notify you, in writing, of any modification.

As of the date of this Franchise Disclosure Document, Clover (www.clover.com) is the only approved supplier for your POS System and related hardware and software.

If you wish to purchase or lease any goods, products, equipment or supplies not approved by us as meeting our specifications, you must first notify us. Upon your request, we will provide you with the required specifications for a particular good, product, equipment or supply. We may require you to submit sufficient photographs, drawings and/or other information and samples to determine whether these goods, products, equipment, or supplies meet our specifications. Our standards and specifications may impose minimum requirements for delivery, performance, design and appearance. We will advise you within a reasonable time whether these goods, products, equipment or supplies meet our specifications. We may require samples from alternate suppliers to be delivered to us or to a designated independent testing laboratory (or other place we determine) for testing before approval and use. We may also require you to pay a charge based on our costs and the actual cost of the test made by us or by an independent testing laboratory designated by us. We may require your proposed supplier to execute a confidentiality agreement regarding the product.

Currently, our affiliates, Perfect is the sole supplier of certain items such as premixes, pre-packed products, packaging materials, frozen dough and semi-finished products. As such, although we did not derive any revenue from the sale of such items in ~~2024~~2025, Perfect did. Any purchases from Perfect will generally be at prices exceeding our costs. Our officers do not have any ownership interest in Perfect. Currently, there is no other designated supplier that is owned, in whole or in part, by any of our officers, but our officers reserve the right to do so in the future.

In ~~2024~~2025, based on Perfect's internally prepared financial statements, Perfect had total worldwide revenue of approximately ~~\$104,322~~116,033,000, of which approximately ~~\$2,817~~5,075,000; ~~USD~~ were from required purchases by franchisees in the United States. Revenue from required purchases by franchisees in the United States represent approximately ~~2.74~~4.37% of Perfect's total worldwide revenue in ~~2024~~2025.

We and our affiliates reserve the right to negotiate with various vendors for quantity discount

contracts which may include rebates to us or our affiliates under these contracts. You may or may not find the contracts to your advantage and may elect to participate or not to participate in them. We have the right to condition or revoke your right to participate in any supplier programs if you are in default under the Franchise Agreement. We have the right to affiliate ourselves with suppliers or become an approved supplier or the sole supplier, and/or receive revenues, rebate, commissions or other benefits from purchases made by our franchisees.

The purchase of products from approved sources will represent approximately 95% of your overall purchases in opening the franchise and 95% of your overall purchases in operating the franchise.

There are currently no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms), for the benefit of the franchise system. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

In addition to the purchases or leases described above, you must buy and maintain, at your own expense, insurance coverage that we require and to meet the other insurance-related obligations, all of which are described in greater detail in Section 8.10 in the Franchise Agreement. As of the date of this Disclosure Document, you will obtain and maintain the minimum insurance as follows for the Franchised Restaurant:

Commercial General Liability (Occurrence Form)

Comprehensive general liability insurance for the location and operations in the amount of \$1,000,000 per occurrence with a \$2,000,000 aggregate;

Automobile liability insurance covering all employees of the franchisee with authority to operate a motor vehicle with hired/non-owned auto endorsement in the amount of \$1,000,000;

Worker's compensation insurance with broad form coverage with minimum limits of \$1,000,000 unless your state requires greater coverage;

Umbrella Policy that covers the underlying policies described above in the amount of \$3,000,000; Employment Practices Liability Insurance in the amount of \$1,000,000;

Property coverage for improvements in your location with business interruption endorsement of 12 months, actual loss sustained limits.

We may, from time to time, in our sole discretion, make such changes in minimum policy limits, coverage, and endorsements as we may determine. The cost of coverage will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us as an additional insured party, contain primary and non-contributory endorsements and a waiver of subrogation. These policies will stipulate that we will receive a 30-day written notice of cancellation, modification or termination. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to us must be furnished to us together with proof of payment within 30 days of issuance. These insurance coverage requirements are only minimums. You need to make an independent determination as to whether increased amounts or additional types of insurance are appropriate.

If you fail to obtain insurance and keep the same in full force and effect, we may obtain this insurance at our discretion and you will pay us the premium costs upon our demand. Failure to obtain and maintain the required insurance constitutes a material breach of the Franchise Agreement entitling us to terminate that agreement. You must also procure and pay for all other insurance required by state or federal law. We may periodically increase the amounts of coverage required and/or require different or additional coverage.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
(a) Site selection and acquisition/lease	~~§§4.01 and 4.03 of ADA~~ §2.01 of Franchise Agreement	Items 6, 7 and 11
(b) Pre-opening purchases/leases	~~§4.03 of ADA~~ §2.05 of Franchise Agreement	Item 8
(c) Site development and other pre-opening requirements	~~§4.03 of ADA~~ §2.05 of Franchise Agreement	Items 6, 7 and 11
(d) Initial and ongoing training	§§3.01, 3.02 and 3.03 of Franchise Agreement	Item 11
(e) Opening	~~§2.04 of ADA~~ §2.04 of Franchise Agreement	Item 11
(f) Fees	~~§§5.01 and 5.02 of ADA~~ §§6.01, 6.02, 6.03 and 9.01 of Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies/Operations Manual	§§1.03, 3.06 and 8 of Franchise Agreement	Item 11
(h) Trademarks and proprietary information	~~§7 of ADA~~ §§4, 5.02 and 16.02 of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	§§7.02, 8.04, 8.05 and 8.07 of Franchise Agreement	Item 16
(j) Warranty and customer service requirements	§§8.06 and 8.07 of Franchise Agreement	Items 11 and 16
(k) Territorial development and sales quotas	~~§2 of ADA~~ §§1.01 and 1.02 of Franchise Agreement	Item 12
(l) Ongoing product/service purchases	§8.04 of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	§§8.01 and 8.03 of Franchise Agreement	Item 11
(n) Insurance	§8.10 of Franchise Agreement	Items 6 and 8
(o) Advertising	§§2.04 and 9 of Franchise Agreement	Items 6 and 11

(p) Indemnification	§§5.04 and 12 of Franchise Agreement	Item 6
(q) Owner's participation/management/Staffing	§§3.01, 3.03 and 3.04 of Franchise Agreement	Items 11 and 15
(r) Records/Reports	§10 of Franchise Agreement	Item 6
(s) Inspections/audits	§11 of Franchise Agreement	Items 6 and 11
(t) Transfer	~~§10 of ADA~~ §12 of Franchise Agreement	Item 17
(u) Renewal	§13 of Franchise Agreement	Item 17
(v) Post-termination obligations	§16 of Franchise Agreement	Item 17
(w) Non-competition covenants	§§7.04 and 12.04 of Franchise Agreement	Item 17
(x) Dispute Resolution	§21.01 of Franchise Agreement	Item 17
(y) Liquidated damages	§§2.03, 3.05 and 16.06 of Franchise Agreement	Item 6

ITEM 10

FINANCING

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

ITEM 11

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

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

Before you open your Franchised Restaurant, we will:

- ~~1. If you sign an Area Development Agreement, grant the development rights for a defined geographical area for restaurant development by you (See Section 2.02 of the Area Development Agreement and Section 1.01 of the Franchise Agreement).~~
- ~~2.~~1. Approve, if it meets our standards and specifications for approval, the location selected solely by you to be used for the operation of the Franchised Restaurant (See Section ~~4.01 of the Area Development Agreement and Section 2.01~~ of the Franchise Agreement).- No time limit exists for the approval or disapproval of a location for the Franchised Restaurant, and you and we will agree on a location before executing the Franchise Agreement. We generally do not own or lease to our franchisees the premises for their Franchised Restaurants. It is your responsibility to find the location of your Franchised Restaurant.
- ~~3.~~2. Provided you obtain an approved site, we will grant you a franchise to operate a Franchised Restaurant at the approved site, including the right and license to adopt and use the System and Proprietary Marks for such location (See Section ~~4.04 of the Area Development Agreement and Section 1.01~~ of the

Franchise Agreement).

- ~~4.3.~~ Provide non-stamped standard architectural plans and specifications for a prototype Franchised Restaurant. You must pay for any modifications, whether required by local zoning or building laws or ordinances otherwise required. All professional certifications (“stamps”) of the architectural plans are paid exclusively for by you. Any modifications or additions to any such plans belong to us (See Sections 2.01 and 2.02 of the Franchise Agreement).
- ~~5.4.~~ A list of approved suppliers and a list of any required equipment, signs, fixtures, opening inventory and supplies, some of whom may be our affiliates, including Perfect (See Sections 8.04 and 8.06 of the Franchise Agreement). You will need to contact the approved suppliers directly to purchase any of these items. We do not assist with the delivery or installation of any of these items.
- ~~6.5.~~ Assist in preparation of a grand opening advertising and promotional program for your Franchised Restaurant that will contain standard opening activities and publicity. We will also offer advice and guidance to you with regard to the staffing, decoration, promotional activity and operation of the Franchised Restaurant during the grand opening period (See Section 2.04 of the Franchise Agreement).
- ~~7.6.~~ Provide, at least 12 weeks prior to the opening of the Franchised Restaurant, a management training program of up to ~~eight~~six weeks duration for you or the person responsible for the day-to-day management of the Franchised Restaurant (“**Restaurant Manager**”) and up to ~~seven~~five assistant managers of such location, with such training to be held at the times and places specified by us. You, or the Restaurant Manager, if other than you, and at least three assistant managers must attend and successfully complete the training program to our reasonable satisfaction. You must also pay the cost of all salary, benefits, travel, hotel and other expenses for all employees attending the training program (See Section 3.01 of the Franchise Agreement). Our formal training program is as follows:

TRAINING PROGRAM

Subject	Time Begun	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction, Orientation, Food Safety, Tools and Equipment	12 weeks before opening	~~6~~ <u>3</u>	~~12~~ <u>4</u>	Classroom training occurs ~~at our training facility in Fullerton, CA.~~ <u>online.</u> In-store training will take place at 85°C Bakery Cafe <u>in California</u> designated by us.
Management Training	12 weeks before opening	~~28~~ <u>3</u>	~~46~~ <u>10</u>	Classroom training occurs ~~at our training facility in Fullerton, CA.~~ <u>online.</u> In-store training will take place at 85°C Bakery Cafe <u>in</u>

				California designated by us.
Hard Skills Training (Break, Cake, Drinks and Storefront)	12 weeks before opening	~~60~~	~~252220~~	~~Classroom~~ ~~training occurs at~~ ~~our training~~ ~~facility in~~ ~~Fullerton, CA.~~ In- store training will take place at 85°C Bakery Cafe in California designated by us.

Classroom training will take place ~~at our training facility in Fullerton, California~~ [online](#), and on-the-job training can take place at any 85°C Bakery Cafe owned by our affiliate, Winpin, or at any franchisee-owned restaurant location [in California](#) selected by us. Training is the primary responsibility of ~~Tiffany Yip~~ [Jeffrey Louie](#) who is ~~the our Multi-Unit~~ Manager of ~~Operations Services, which oversees Training and~~ Franchise Relations. ~~Ms. Yip~~ [Mr. Louie](#) has over ~~12 years of experience in the food and beverage industry and over~~ [514](#) years of experience with the 85°C Bakery Cafe System.

Training is scheduled as needed based upon the number and anticipated operating dates of projected store openings existing at any time. We may require you, any previously trained Restaurant Manager, or any current Restaurant Manager to attend periodic refresher courses at a location selected by us. You will be responsible for all salaries, benefits, travel, meals and hiring expenses which would be incurred by you or your Restaurant Manager and any assistant managers while attending any training. Any subsequently hired Restaurant Manager must successfully complete our training program within three months of the date he or she is hired by you.

To assist with the store opening, we will provide one or more management persons for up to a combined 21 days to help with training before and immediately following the opening of the Franchised Restaurant. You must obtain a minimum of five individuals to assist with training of your employees before and immediately after the initial opening of the Franchised Restaurant, typically for not less than two weeks. The determination of the number and qualifications of these individual trainers will be at our discretion and may include your own employees, our or our affiliates' employees or independent trainers.

During the operation of the Franchised Restaurant, we will:

1. Furnish a copy of its then current confidential operations and training manual containing mandatory and suggested specifications, standards, operating procedures and rules (the "**Manual**") (See Section 3.07 of the Franchise Agreement). The Manual may be in a format determined by us (i.e., in writing, via electronic media through a secure website, etc.). The Manual will remain confidential and our property. We will have the right to add to and otherwise modify the Manual periodically as we deem necessary, but the modification will not alter your status and rights under the Franchise Agreement. The table of contents of the Manual, including allocation of pages to each subject, is included as Exhibit ~~EB~~ to this Disclosure Document.
2. Provide continuing consulting services consisting of periodic advisory visits and inspections by our personnel who must advise and consult with you in connection with the operation of each Franchised Restaurant operated by you (See Section 3.05 of the Franchise Agreement). The nature and extent of these consulting services is at our discretion. There are no contractual limits on our independent access to the information and data stored on the required point-of-sale system. To determine your compliance with the Franchise Agreement and with all specifications, standards, and operating procedures prescribed for the operation of a Franchised Restaurant, we have the right at any reasonable time and

without prior notice to inspect the Franchised Restaurant, observe the Franchised Restaurant operations and interview employees and customers.

3. Provide support for certain information technology and/or upgrade or introduce new information technology (See Section 6.03 of the Franchise Agreement). The nature and extent of any new (or upgrades to) information technology is our discretion and may include additional costs and expenses.
4. Provide continuing advisory services related to the type and quality of food and drinks to be served in each Franchised Restaurant and keep you advised of new developments, modifications, changes and improvements in and to the System (See Section 3.05 of the Franchise Agreement). The nature and extent of such advisory services is at our discretion.
5. Subject to the terms of the Franchise Agreement, permit you to make use of all of our existing and future Proprietary Marks, service marks, trademarks, tradenames, and copyrights relating to the operation of Franchised Restaurants, provided that any and all permitted modifications or additions to such works belong to us (See Section 4.01 of the Franchise Agreement).
6. At our expense, defend you in the court of first determination against any challenge to your right to or use of the Proprietary Marks or the System. We are also required to indemnify you against certain losses and damages that might be suffered on account of a successful third party challenge or claim against your use of the Proprietary Marks (See Section ~~7.03 of the Area Development Agreement and~~ Section 4.03 of the Franchise Agreement).
7. Provide you with certain specifications regarding items required for the establishment and operation of your Franchised Restaurant as well as a list of all approved manufacturers, distributors and suppliers, some of whom may be our affiliates, including Perfect (See Sections 8.04 and 8.06 of the Franchise Agreement).
8. Upon your proper request, evaluate new products, supplies or suppliers for listing on the approved products, supplies or suppliers list, as the case may be (See Section 8.04 of the Franchise Agreement).

Advertising

You are required to pay a weekly Marketing Fee by making a contribution to our marketing fund of up to two percent (2%) of your weekly Gross Sales. Currently, the Marketing Fee is one percent (1%) of your weekly Gross Sales. We may change the amounts of Marketing Fee we require you to pay up to two percent (2%) of your weekly Gross Sales (See Section 9.01 of Franchise Agreement). You agree that the Marketing Fee, at our sole discretion, may be used to pay the costs of conducting marketing surveys and research; employing public relations firms; preparing and producing video, audio, and written marketing materials; administering multi-regional marketing programs, including, without limitation, purchasing online, television, radio, magazine, billboard, newspaper, and other media advertising, and employing advertising agencies to assist therewith; providing marketing materials to franchisees; and paying for travel costs associated with any ad hoc marketing advisory meetings. We have no obligation to ensure that expenditures by the Marketing Fee in or affecting any geographic area are proportionate or equivalent to the Marketing Fee paid by Franchised Restaurants operating in any geographic area or that any Franchised Restaurant will benefit directly from the conduct of marketing programs or the placement of advertising. You have the right to obtain an accounting of the Marketing Fee once per calendar year by contacting the Franchisor, and the Franchisor will provide the accounting within 30 days of your request.

Franchised Restaurant advertising must be conducted in a professional and ethical manner and conform to any policies we might establish. We can require you to get our written permission before publishing any promotional material or information under our brand/trademarks, including social media. (See Section 9.02 of Franchise Agreement).

We and our affiliates have the sole right to register the Internet domain: www.85Cbakerycafe.com, and to establish sites using the domain name. You acknowledge that the domain name is our sole property. You may not use, in any manner, any computer medium or electronic medium (for example, any Internet home page, website, bulletin board, metatag or other Internet related medium or activity) that uses the Proprietary Marks without our express written consent, or as expressly permitted in our Manual. We may include on our Internet website one or more interior pages that identify all the 85°C Bakery Cafes, including your Franchised Restaurant, by geographic region, address, telephone number and other relevant contact information.

You have to conduct a grand opening campaign and spend a minimum of \$10,000 for such campaign within 30 days of opening your Franchised Restaurant to the general public. We can also require that you participate in campaigns and promotions that we create.

At this time, we have no advertising council composed of franchisees that advises us on advertising policies. There are also no local or regional advertising cooperatives in which you are required to participate.

You have the right to determine your Franchised Restaurant retail prices, although we have the right to establish minimum and maximum prices to the extent permitted under applicable law. We will inform you any minimum and maximum prices to be established, if any, permitted under such applicable law. We also may recommend pricing. You must also participate in any promotional pricing established by us. These requirements may reduce your anticipated revenue and profit.

Computer and Computerized Point-of-Sale Requirements

You must purchase and maintain a computerized point-of-sale system (“POS System”) that our specifications and compatibility requirements, all of which can change over time and may require additional investment. There are no limitations in the Franchise Agreement as to the frequency and/or the cost of your obligation to upgrade or update the required hardware or software.

As of the date of this Franchise Disclosure Document, the only required hardware and software is the POS System. Currently, we utilize the Clover Mini POS System with certain customizations (www.clover.com). Accordingly, you must purchase at least one POS System from our approved supplier. The POS System is used for cash control, payment processing (i.e., credit cards and debit cards), order processing and sales tax accounting purchases. The POS System will store information concerning your sales, accounting and other operations and is capable of generating sales reports (e.g., sales by period and/or sales by product). We estimate the cost of purchasing the POS system(s) to be approximately ~~\$25,400~~ \$15,500 to \$29,450, depending on optional upgrades, some of which may become mandatory at our discretion. These costs are reflected in the chart contained in Item 7.

You must purchase and upgrade the POS System as necessary in the future upon our written notice. You are responsible for ensuring that the collection, input, storage and use of the data comply with any privacy laws and regulations applicable to your Franchised Restaurant. We have the right under the Franchise Agreement to have independent access to all of the information generated and stored in your POS Systems. There are no limitations in the Franchise Agreement as to when we may access your POS Systems or what information we may access when we do (See Section 8.12 of Franchise Agreement).

~~In addition, you must update and maintain as reasonably necessary a computer and Internet browser to enable you to participate on any Intranet we might establish and to communicate with us via email. We estimate the cost of purchasing the computer to be approximately \$800 to \$1,200.~~

Manual

The Manual currently consists of a number of different volumes which, as a whole, constitute the Manual. The table of contents for the Manual is in Exhibit ~~CB~~ to this Franchise Disclosure Document. The Manual will remain confidential and our property. We will have the right to add to and otherwise modify the Manual periodically as we deem necessary.

Site Selection and Restaurant Opening

~~If you are an area developer, you must select the site of each Franchised Restaurant within your Development Territory (See Section 4.01 of the Area Development Agreement). However, whether or not you are an area developer, we~~ We must approve each site for your Franchised Restaurant in writing prior to your signing a lease or a purchase agreement for the property. This approval is subject to our sole discretion and typically takes 30 to 60 days to complete. In considering approval of a site, we examine a number of factors including population, age, density, income levels, traffic patterns, and proximity of competition. Our approval for each site will be based on our then-current site criteria. There is no deadline for you to obtain our approval of the site of your Franchised Restaurant; however, you must obtain our approval before you can begin construction and/or open your Franchised Restaurant for business, and if you do not open your Franchised Restaurant for business within fifteen (15) months after the date of your Franchise Agreement, you will pay us, as liquidated damages, \$300 per day until your Franchised Restaurant opens for business or we may terminate your Franchise Agreement.

The typical length of time between the signing of the ~~Area Development Agreement and/or~~ Franchise Agreement and the opening of a Franchised Restaurant is estimated to be nine (9) to fifteen (15) months. Factors affecting this length of time will usually include obtaining a satisfactory restaurant site, execution of a Franchise Agreement (if applicable), construction of the restaurant facility, weather, financing arrangements, legal (i.e., zoning, building permits, etc.), compliance issues, employee training, and delivery and installation of equipment. Failure to commence operation of the Franchised Restaurant within fifteen (15) months of your executing the Franchise Agreement may be treated as a default of your Franchise Agreement.

ITEM 12 **TERRITORY**

Area Development Agreement

~~If you sign an Area Development Agreement, you will be granted an exclusive territory (“Development Territory”) covered by the Area Development Agreement. The Area Development Agreement will be negotiated between us and you. During the term of the Area Development Agreement, we will not license another franchisee or establish a company-owned outlet to use the Proprietary Marks in your Development Territory if you are in compliance with the terms of the Area Development Agreement and all of your Franchise Agreements. Your right to the exclusive territory under the Area Development Agreement does not depend on external factors such as achievement of a certain sales volume, market penetration or any other contingency. However, failure to timely meet the development quota prescribed by the Area Development Agreement may result in our electing, in our sole discretion, to terminate or alter the Area Development Agreement, reduce or eliminate the territorial exclusivity, reduce the size of the Development Territory, or reduce the number of Franchised Restaurants which may be opened in the Development Territory. In turn, the Exclusive Area for any restaurants developed thereunder would be limited to the Exclusive Area granted by their respective Franchise Agreements. The Area Development Fee is non-refundable under any circumstance, even if we elect to terminate your Development Agreement due to your failure to timely meet the development quota prescribed by your Development Agreement. Other than the development of the number of Franchised Restaurants in the Development Territory under the Area Development Agreement, you do not have any options, rights of first refusal or similar rights to acquire additional Franchised Restaurants under the Area Development Agreement.~~

~~You must select the site of each Franchised Restaurant within your Development Territory (See Section 4.01 of the Area Development Agreement). We, however, must approve each site in writing prior to your signing a lease or a purchase agreement for the property. This approval is subject to our sole discretion and typically takes 30 to 60 days to complete. In considering approval of a site, we examine a number of factors including population, age, density, income levels, traffic patterns, and proximity of competition. Our approval for each site will be based on our then current site criteria.~~

Franchise Agreement

The Franchise Agreement grants you the right to operate your Franchised Restaurant in a specified location. You will operate from that location and must receive our permission before relocating. Permission for relocation will be reviewed as if you are opening a new Franchised Restaurant at the new proposed location using the Franchisor's then-current standards and criteria for new Franchised Restaurants. Under the Franchise Agreement, you have no options, rights of first refusal, or similar rights to acquire additional 85°C Bakery Cafes. The Franchise Agreement provides that we will not operate or grant a franchise for the operation of another Franchised Restaurant operating under the Proprietary Marks within the Exclusive Area (as that term is defined by the Franchise Agreement of your specified location). Generally, this Exclusive Area will encompass a one-mile radius of a restaurant's premises. Larger and smaller Exclusive Areas may, at our sole discretion, be granted for Franchised Restaurants, depending on demographics and population density. Determination of your Exclusive Area shall be at our sole discretion as set forth in your Franchise Agreement. You are not allowed to solicit or accept orders from customers outside of your Exclusive Area without our prior written consent, which may be granted or denied in our sole discretion. Additionally, you do not have the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Exclusive Area without our prior written consent, which may be granted or denied in our sole discretion. The continuation of your Exclusive Area is not contingent on the Franchised Restaurant achieving a certain sales volume, market penetration, or other contingency. There are no circumstances that permit us to modify your Exclusive Area. However, you may lose your Exclusive Area if you fail to be in substantial compliance with the Franchise Agreement. Subject to the foregoing, your Exclusive Area may not be altered or modified. See our reservations of rights below in this Item 12.

You may not submit a site for consideration which is within a one-mile radius of any other 85°C Bakery Cafe. Further, if you intend to develop a Franchised Restaurant within one mile of the boundaries of your Exclusive Area, we may condition its approval of a site on your acceptance of a protected area that is smaller in size than a one-mile radius.

There are no restrictions on the location of customers you may solicit to patronize your Franchised Restaurant. However, without our prior written consent, you are not permitted to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing. You may only sell goods and services from the location of your Franchised Restaurant.

You do not have any options, rights of first refusal or similar rights to acquire additional Franchised Restaurants under your Franchise Agreement.

Neither we nor our affiliates operate, franchise, or have plans to operate or franchise a business under a different trademark which sells or will sell goods or services similar to those of 85°C Bakery Cafes.

Our Reservation of Rights

~~The Area Development Agreement and the~~[The](#) Franchise Agreement contain no limitations other than as stated above to our right to establish other franchises or outlets to offer products and services in other channels of distribution. We specifically reserve the right to:

1. Establish company-owned or affiliate-owned restaurants, grant others the right to operate Franchised Restaurants, or grant other franchises that provide products or services outside of the Exclusive Area ~~and, if applicable, outside any Development Territory~~, regardless of proximity to the applicable boundaries, without any compensation to you.
2. Offer, sell or distribute any products or services associated with the System (now or in the future) under the Proprietary Marks or any other trademarks, service marks or trade names, outside of the Exclusive Area, all without compensation to you.
3. Grant others the right to operate restaurants or any other business within and outside the Exclusive Area under trademarks other than the Proprietary Marks, including utilizing our other marks, specifically licensed to you in the Franchise Agreement within or outside the Exclusive Area, without compensation to you.
4. Offer and sell any food products, including any frozen, pre-packaged items or other products, under the Proprietary Marks, or other marks, through any distribution channel or method within or outside the Exclusive Area, without compensation to you. The distribution channels or methods may include, without limitation, retail food stores including but not limited to grocery stores and convenience stores, hotel shops, kiosks, theatres, malls, airports, college campuses, gas stations, and other retail locations, at special events or through any other channels of distribution, including other restaurants, mail order, catalogue sales, or over the Internet (or any existing or future form of electronic commerce including but not limited to social media websites and mobile communication devices), within or outside the Exclusive Area, all without compensation to you.
5. Offer or sell any products or services under any other marks through any other channels of distribution regardless of location.
6. Give, donate or contribute products associated with the System (now or in the future) to charitable and community organizations and events for fundraising and other events, and offer products associated with the System (now or in the future) for sampling by customers and organizations for product testing, promotions and demonstrations at any location except at your Franchised Restaurant unless approved by you.
7. Conduct market research at your Franchised Restaurant for reasons including, but not limited to, understanding customer demographics, customer psychographics, purchasing behavior, new product acceptance, and other similar purposes.
8. Implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We reserve the right to issues mandatory policies to coordinate such multi-area marketing programs.

ITEM 13 **TRADEMARKS**

The Franchise Agreement grants you the nonexclusive right to use the Proprietary Marks and various designs and logo types associated with our products and services. You may also use our other current or future Proprietary Marks as we may designate to operate your Franchised Restaurant. You must indicate, as required in the Franchise Agreement and specified in the Manual, that you are an independent operator of the Franchised Restaurant and you shall use only the appropriate and authorized Proprietary Marks as indicated by us.

The Proprietary Marks are owned by our affiliate, Comestibles, and are licensed exclusively to us

and our affiliates in the United States. Comestibles, through Prime Scope, has granted us a license (“**Trademark License**”) to use the Proprietary Marks for purposes of franchising the System in the United States. The Trademark License provides that in the event the License Agreement is terminated for any reason, Comestibles or Prime Scope will license the use of the Proprietary Marks directly to our franchisees until such time as each Franchise Agreement expires or is otherwise terminated.

Comestibles has registered the following principal Proprietary Marks with the United States Patent and Trademark Office (“**USPTO**”) on the Principal Register. We grant you the right to operate your Franchised Restaurant under the Proprietary Marks. The principal Proprietary Marks are:

Mark	Registration Date	Registration Number
85	June 27, 2017 (Class 32)	5232896 (Class 32)
	September 1, 2015 (Class 43)	4804932 (Class 43)
	September 1, 2015 (Class 35)	4804931 (Class 35)
	September 1, 2015 (Class 30)	4804930 (Class 30)
85°	March 31, 2015 (Class 29)	4711804 (Class 29)
	September 2, 2014 (Class 43)	4596631 (Class 43)
	September 2, 2014 (Class 32)	4596630 (Class 32)
	September 2, 2014 (Class 30)	4596629 (Class 30)
85°C	March 27, 2007 (Classes 30, 32 and 43)	3223413 (Classes 30, 32 and 43)

All required affidavits for the principal Proprietary Marks have been filed with the USPTO, and all registrations for the principal Proprietary Marks have been renewed.

You must follow our rules and directions when you use any of our Proprietary Marks. You may not use any of our Proprietary Marks as part of a legal entity name or domain name. You also may not use any Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. Guidelines regarding proper trademark use and notices are in the Manual and will be updated periodically at our sole discretion. You may not use the Proprietary Marks or otherwise market on the Internet except as we specify.

There are no superior prior rights nor infringing uses actually known to us or Comestibles that could materially affect your use of the principal Proprietary Mark in the United States.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or court that affect our ownership or use of our Proprietary Marks. There is also no pending infringement, opposition or cancellation, or material litigation that affects our ownership or use of our Proprietary Marks. No currently effective agreement limits our right to use or license the use of the Proprietary Marks.

You must notify us within three days after you learn about another’s use of a trademark, service mark, business name, logo, or symbol that you perceive to be identical or confusingly similar to one of our Proprietary Marks or if someone challenges your use of our Proprietary Marks. In accordance with the terms of the Franchise Agreement, we shall have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding or other administrative proceeding

arising out of any infringement, challenge, or claim or otherwise relating to any Proprietary Mark.

In accordance with the terms of the Franchise Agreement, we will indemnify, hold harmless, and reimburse you for your liability and reasonable costs in connection with defending your use of our Proprietary Marks. To receive reimbursement, you must have notified us within three days from the day on which you learned about the identical or confusingly similar mark or challenge and you must have used the Proprietary Marks only in accordance with the terms of the Franchise Agreement and the Manual.

You must add, modify, or discontinue the use of a Proprietary Mark if we instruct you to do so at your expense and we will not be liable for any other costs, expenses, or damages you incur as a result of our decision to add, modify, or discontinue use of a Proprietary Mark. You must not directly or indirectly contest our rights to our Proprietary Marks, trade secrets, or business techniques.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

The information contained in the Manual is proprietary and is protected by copyright. The designs contained in the Proprietary Marks, including our various logos, and the layout of our advertising materials and website is also protected by copyright. Although we have not filed an application for copyright registration, we claim common law and federal copyright in these items. We grant you the right to use this copyrighted information (“**Copyright Works**”) in connection with your operation of the Franchised Restaurant.

All materials created by us and used with the Copyright Works are our property. Any modifications or additions to the Franchised Restaurant concept developed by you, other franchisees, or us during the term of the Franchise Agreement will become our property and we may incorporate them into the System or any other restaurant concept. All Copyright Works and any and all modifications or additions to the Franchised Restaurant concept developed or created by you or another person or entity employed by you are works made for hire within the meaning of the United States Copyright Act and belong to us. We may use and license others to use the Copyright Works unencumbered by moral rights. In the event the Copyright Works are not works made for hire or the rights do not automatically accrue to us, you agree to assign to us, our successors and assigns, all right, title and interest in the Copyright Works. If necessary, you agree to obtain any other assignments of rights in the Copyright Works from any other person or entity in order to ensure our rights in the Copyright Works. After the termination or expiration of your Franchise Agreement, we may use, copyright, register and protect any modifications or additions exclusively in our name.

You must notify us within three days after you learn about another’s use of language or a visual image that you perceive to be identical or substantially similar to one of our Copyright Works or if someone challenges your use of our Copyright Works. We will take whatever action we deem appropriate, in our sole discretion, to protect our rights in and to the Copyright Works.

We will indemnify, hold harmless, and reimburse you for your liability and reasonable costs in connection with defending your use of our Copyright Works. To receive reimbursement, you must have notified us within three days from the day on which you learned about the identical or substantially similar language or visual image and you must have used the Copyright Works only in accordance with the terms of the Franchise Agreement.

You must add, modify, or discontinue the use of a Copyright Work if we instruct you to do so at your expense, and we will not be liable for any other costs, expenses, or damages you incur as a result of our decision to add, modify, or discontinue use of a Copyright Work. You must not directly or indirectly contest our rights to our Copyright Works, trade secrets, or business techniques.

We do not know of any infringing uses that could materially affect your use of our Copyright Works.

We and our affiliates claim proprietary rights to all confidential information, including proprietary recipes, contained in the Manual. Certain information in the Manual may also constitute as trade secrets.

You must acknowledge that your entire knowledge of the System, including the Manual, architectural blue prints and specifications, action plans, materials, equipment, recipes, trade dress, and all other information, knowledge and know-how is proprietary and confidential in nature, including, without limitation, any and all of the foregoing which arise due to your relationship with us and/or operation of a Franchised Restaurant at any time and regardless of who is the creator.

No patents are material to the franchise at this time.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF YOUR BUSINESS

We do not require you to personally supervise the Franchised Restaurant. However, the Franchised Restaurant must be directly supervised on the premises by a Restaurant Manager (See Section 3.01 of the Franchise Agreement) who has successfully completed our training program. The Restaurant Manager cannot own an interest or have a business relationship with any of our competitors and is prohibited from using, disclosing, copying or duplicating any confidential or proprietary information other than in the ordinary course of the Franchised Restaurant's operations. The same prohibitions apply to the owner (for example, all shareholders) and management (for example, any corporate officer and the Restaurant Manager for any Franchised Restaurant operated by the Franchisee) of any franchisee, and you must cause them to comply with these obligations. The Restaurant Manager need not have an ownership interest in a corporate or partnership franchisee.

You and each owner of the Franchised Restaurant must sign a Guaranty and Assumption of Obligation to: (a) punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Franchise Agreement, and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement. The owners' spouses (provide that they themselves are not owners) are not required to sign a personal guarantee. However, at your discretion, your spouse (and each owner's spouse) may wish to voluntarily sign a Guaranty and Assumption of Obligation.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer only those food items and beverages prescribed by us. You are prohibited from offering or selling food items and beverages not authorized by us. We reserve the right to change the types of authorized food items and beverages. We have the right in its sole discretion to add additional services or menu items that all franchisees must offer. We reserve the right to set maximum resale prices for any food and beverage items sold at your Franchised Restaurant, to the extent permitted by law.

We require you, if permitted by applicable law, to participate in various programs and activities with other 85°C Bakery Cafes, including programs in which customers place orders via the Internet or cellular telephone "text messaging" and any gift card or loyalty program we or our affiliates may establish from time to time, in accordance with the provisions either set forth in the Manual or otherwise disclosed to you. In order to participate in these programs and activities, you may be required to purchase additional equipment and pay applicable fees associated with the purchase, installation and training for this equipment. If we establish a gift card program, we have the right to determine how fees will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards.

Other than as described in this Item, we do not impose any restrictions or conditions that limit your access to customers.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the Franchise Agreement	§ 1.01	10 years
b. Renewal or extension of the term	§ 13.01	2 additional term for 5 years each subject to Section 13 of Franchise Agreement.
c. Requirement for franchisee to renew or extend	§ 13.02	Provide notice, sign Successor Franchise Agreement (which may have different terms and conditions than your original Franchise Agreement), remodel sign release, and reimburse us for services we provide or expenses we incur to extend your rights to operate the Franchised Restaurant.
d. Termination by franchisee	§ 14.01	For good cause which means an uncured material breach of the Franchise Agreement by us.
e. Termination by franchisor without cause	None.	Not Applicable.
f. Termination by franchisor with cause	§§ 15.01 and 15.02	We can terminate upon default by you.

g. "Cause" defined- defaults which can be cured	§§ 15.01 and 15.02	You have ten days to cure failure to accurately report Gross Sales or failure to pay any amounts due us. You have 30 days to cure any other default stated in Section 15.02. You have 72 hours in which to cure public health violations. You have 90 days to terminate a co-owner of franchisee, if such owner of franchisee has been convicted or pleads no contest to certain crimes.
h. "Cause" defined – non-curable defaults	§§ 15.01 and 15.02	All other defaults, abandon business, change in control of Franchised Restaurant, misleading franchise application, certain types of involuntary and voluntary bankruptcy/insolvency proceedings, unauthorized "transfers," another agreement with us is noticed for termination, improper use of Proprietary Marks, improper recruiting of employees and three defaults within any 12-month period.
i. Franchisee's obligations on termination/non-renewal	§§ 16 and 17	Obligations include payment of all amounts due and complete de-identification, cease use of confidential information, and sell Franchised Restaurant to us if we so elect. In lieu of termination, we may also enter into a temporary de-identification agreement.
j. Assignment of contract by franchisor	§ 12.01	No restriction on our right to assign
k. "Transfer" by franchisee - defined	§ 12.03	Includes transfer of ownership of franchisee by owners, merger, issuance of additional ownership interest in franchisee, sale of interests in franchisee by private or public sale, transfer of ownership in franchise, the franchise or the Franchised Restaurant under a court order or otherwise by operation of law, death of franchisee or owner of franchisee by death, will or intestate succession.

l. Franchisor approval of transfer by franchisee	§ 12.04	We have the right to approve transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	§ 12.04	New franchisee qualifies completes training program, signs franchise agreement obtains landlord consent, you sign release and non-competition covenant, pay all amounts due us, and pay the transfer fee.
n. Franchisor's right of first refusal to acquire franchisee's business	§ 16.05	We can match any offer for the franchisee's business.
o. Franchisor's option to purchase franchisee's business	§ 16.05	We have the right to purchase your Franchised Restaurant if termination occurs under Section 14 or Section 15.
p. Death or disability of franchisee	§ 12.06	Any transfer by your estate to a third party must be accomplished within 12 months.
q. Noncompetition covenants during the term of the franchise	§ 7.04	No involvement in any competing business wherever located.
r. Noncompetition covenant after the franchise is terminated or expires	§§ 7.04 and 12.04	No competing business for three years within 10 miles of Exclusive Area or any Franchised Restaurant. If you transfer Franchised Restaurant, no competing business for three years after transfer date.
s. Modification of the agreement	§ 19.07	Modify only by written agreement signed by you and us.
t. Integration/merger clause	§ 19.08	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and Franchise Agreement may not be enforceable. Nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

u. Dispute resolution by arbitration or mediation	§ 21	Arbitration at the American Arbitration Association office in Orange County, California (subject to state law).
v. Choice of forum	§§ 19.06 and 21	Arbitration at the American Arbitration Association office located in Orange County, California. Any permitted litigation must be in California state or federal court (subject to state law).
w. Choice of law	§ 19.06	California law (subject to state law).

Additional Provisions for Area Developers

PROVISION	SECTION IN AREA- DEVELOPMENT- AGREEMENT	SUMMARY
a. Length of the Area Development Agreement	§ 2.01	As you and we agree.
b. Renewal or extension of the term	None.	No renewal or extension provided in the ADA.
c. Requirement for franchisee to renew or extend	None.	Not applicable.
d. Termination by franchisee	§ 14.01	For good cause which means an uncured material breach of the Franchise Agreement by us.
e. Termination by franchisor without cause	None	Not Applicable.
f. Termination by franchisor with cause	§ 8.01	We can terminate upon default by you. If we terminate the Area Development Agreement for cause (except for a termination based upon a failure to satisfy the Minimum Development Quota), we can also terminate the Franchise Agreement for any Franchised Restaurant developed under the Area Development Agreement. Likewise, if we terminate a Franchise Agreement for cause, we can also terminate the Area Development Agreement.

g. ~~“Cause” defined—defaults which can be cured~~	~~§ 8.01~~	You have 30 days to cure any default in agreement not enumerated in this Section. You have 90 days to terminate a co-owner of franchise, if such owner has been convicted of or pleads no contest to certain crimes. You have 90 days to release any insolvency action filed regarding your franchise.
h. ~~“Cause” defined—non-curable defaults~~	~~§ 8.01~~	All other defaults failure to meet development quota, unauthorized “transfer,” misleading franchise application, improper use of trademarks, failure to cure default within 30 days, three defaults within a 12 month period, another agreement with us is noticed for termination, and certain types of involuntary and voluntary bankruptcy/insolvency proceedings.
i. ~~Franchisee’s obligations on termination/non renewal~~	~~§ 9~~	Continued confidentiality, no competing business for three years after termination within 10 miles of any Franchised Restaurant, or within your Exclusive Area, we have the right to purchase your Franchised Restaurant.
j. ~~Assignment of contract by franchisor~~	~~§ 10.01~~	No restriction on our right to assign
k. ~~“Transfer” by franchisee—defined~~	~~§ 10.03~~	Transfer of capital stock or partnership to third party, private placement, or registration of public offering, merger or consolidation, transfer by court order or operation of law, franchisee or owner of franchisee by death, will or intestate succession.
l. ~~Franchisor approval of transfer by franchisee~~	~~§ 10.04~~	We have the right to approve transfers but will not unreasonably withhold approval.
m. ~~Conditions for franchisor approval of transfer~~	~~§ 10.04~~	New developer qualifies, signs new ADA, completes training and reimburses us for our costs, you pay all amounts due us, sign release and non-competition covenant.

~~n. Franchisor's right of first refusal to acquire franchisee's business~~	~~§ 10.08~~	~~We can match any offer to buy Franchised Restaurant or ownership interest in developer.~~
~~o. Franchisor's option to purchase franchisee's business~~	~~§ 9.03~~	~~We have the right to purchase your Franchised Restaurant if termination occurs under Section 10.08 or Section 8.~~
~~p. Death or disability of franchisee~~	~~§ 10.06~~	~~Any transfer by your estate must be accomplished within 12 months.~~
~~q. Noncompetition covenants during the term of the franchise~~	~~§ 6.04~~	~~No involvement in any competing business wherever located~~
~~r. Noncompetition covenant after the franchise is terminated or expires~~	~~§ 9.02~~	~~No competing business for three years within 10 miles of Exclusive Area or any Franchised Restaurant.~~
~~s. Modification of the agreement~~	~~§ 11.07~~	~~Modify only by written agreement signed by you and us.~~
~~t. Integration/merger clause~~	~~§ 11.08~~	~~Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and Area Development Agreement may not be enforceable.~~ ~~Nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.~~
~~u. Dispute resolution by arbitration or mediation~~	~~§ 14~~	~~Arbitration at the American Arbitration Association office in Orange County, California (subject to state law).~~
~~v. Choice of forum~~	~~§ 11.06~~	~~Arbitration at the American Arbitration Association office located in Orange County, California. Any permitted litigation must be in California state or federal court (subject to state law).~~
~~w. Choice of law~~	~~§ 11.06~~	~~California law (subject to state law).~~

ITEM 18
PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting ~~Cecilia Ma~~[Keshia Panganiban](#), 1415 Moonstone, Brea, California 92821, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
Systemwide Outlet Summary
For Years ~~2022~~2023 to ~~2024~~2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	~~2023~~ 2022	~~0~~ 1	~~1~~ 3	~~1~~ 2
	~~2024~~ 2023	~~1~~ 3	3	~~2~~ 0
	~~2024~~ 2025	3	~~3~~ 6	~~0~~ 3
Company-Owned	~~2023~~ 2022	~~68~~ 66	~~66~~ 69	~~-2~~ 3
	~~2024~~ 2023	~~66~~ 69	~~69~~ 78	~~3~~ 9
	~~2024~~ 2025	~~69~~ 78	~~78~~ 82	~~9~~ 4
Total Outlets	~~2023~~ 2022	~~68~~ 67	~~67~~ 72	~~-1~~ 5
	~~2024~~ 2023	~~67~~ 72	~~72~~ 81	~~5~~ 9
	~~2024~~ 2025	~~72~~ 81	~~81~~ 88	~~9~~ 7

TABLE 2
Transfer of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years ~~2022~~2023 to ~~2025~~2024

State	Year	Number of Transfers
Total	~~2023~~ 2022	0
	~~2023~~ 2024	0
	~~2024~~ 2025	0

TABLE 3
Status of Franchised Outlets
For Years ~~2022~~2023 to ~~2025~~2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
~~California~~ Hawaii	~~2022~~	0	~~1~~ 0	0	0	0	0	~~1~~ 0
	~~2023~~	~~1~~ 0	~~1~~ 0	0	0	0	0	~~2~~ 0
	~~2024~~	~~2~~ 0	~~0~~ 1	0	0	0	0	~~2~~ 1
~~Hawaii~~ Utah	~~2022~~	~~0~~ 1	~~0~~ 1	0	0	0	0	~~0~~ 2
	~~2024~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
	~~2025~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
Kansas	~~2023~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2024~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2023~~	0	1	0	0	~~0~~ 1	0	~~1~~ 0
Illinois	~~2023~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2024~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2024~~	~~1~~ 0	~~0~~ 1	0	0	0	0	1
Louisiana	~~2023~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2024~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~Total~~	~~2022~~	0	1	0	0	0	0	1

<u>Utah</u>	<u>2023</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2025</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Total</u>	~~2023~~	1	2	0	0	0	0	3
	~~2024~~	3	0	0	0	0	0	3
	<u>2025</u>	<u>3</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>6</u>

TABLE 4
Status of Company-Owned Outlets
For Years ~~2022~~2023 to 20252024

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Arizona	<u>2023</u>	~~0~~ <u>1</u>	~~1~~ <u>0</u>	0	0	0	1
	<u>2024</u>	1	~~0~~ <u>1</u>	0	0	0	~~1~~ <u>2</u>
	~~2024~~	~~1~~ <u>2</u>	~~0~~ <u>0</u>	0	0	0	2
California	<u>2023</u>	~~48~~ <u>47</u>	~~0~~ <u>2</u>	0	~~1~~ <u>0</u>	0	~~47~~ <u>49</u>
	~~2023~~	~~47~~ <u>49</u>	~~2~~ <u>6</u>	0	~~0~~ <u>2</u>	0	~~49~~ <u>53</u>
	~~2024~~	~~49~~ <u>53</u>	~~6~~ <u>2</u>	0	2	0	53
<u>Kansas</u>	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2025</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
New Jersey	~~2022~~	0	0	0	0	0	0
	~~2023~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	2024	0	1	0	0	0	1
	<u>2025</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
New York	~~2022~~	0	0	0	0	0	0
	~~2023~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	2024	0	1	0	0	0	~~0~~ <u>1</u>
~~Nevada~~	~~2022~~	1	0	0	0	0	1
<u>Nevada</u>	2023	1	1	0	0	0	2
	2024	2	1	0	0	0	3
	<u>2025</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
<u>Oklahoma</u>	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
~~Oregon~~	~~2022~~	~~1~~ <u>0</u>	~~0~~ <u>1</u>	0	0	0	1
<u>Oregon</u>	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
~~Texas~~	~~2022~~	~~1~~ <u>1</u>	0	0	~~1~~ <u>0</u>	0	~~1~~ <u>0</u>
<u>Texas</u>	2023	10	0	0	0	0	10
	2024	10	2	0	0	0	12
	<u>2025</u>	<u>12</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13</u>
Washington	~~2022~~	~~7~~ <u>6</u>	0	0	~~1~~ <u>0</u>	0	6
	~~2023~~	~~6~~	~~0~~	~~0~~	~~0~~	~~0~~	~~6~~
	2024	6	0	0	1	0	5
<u>Total</u>	~~2022~~	~~68~~ <u>5</u>	~~1~~ <u>0</u>	0	~~3~~ <u>0</u>	0	~~66~~ <u>5</u>
<u>Total</u>	2023	66	3	0	0	0	69
	2024	69	12	0	3	0	78
	<u>2025</u>	<u>78</u>	<u>5</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>82</u>

| _____

TABLE 5
Projected Openings as of December 31, ~~2024~~2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
~~California~~	~~20~~	~~20~~	~~41~~
~~Illinois~~ Cal	1	1	~~03~~
~~Kansas~~ Colorad	~~10~~	~~10~~	~~02~~
~~Louisiana~~ Illinoi	~~10~~	1	0
~~New-~~	0	~~01~~	~~10~~
~~Oregon~~ Minneso	~~01~~	~~01~~	~~10~~
~~Texas~~ New	0	0	1
~~Texas~~ Utah	~~01~~	1	~~06~~
Washington	0	0	1
Total	~~53~~	~~65~~	~~814~~

* We do not own or operate any 85°C Bakery Cafes, but our affiliates, Winpin and Golden, owns and operates 85°C Bakery Cafes, which are substantially similar to a Franchised Restaurant.

Attached as Exhibit ~~ED~~ is a list of names, city and state and current business telephone numbers of all of our area developers and franchisees as of the date of this Franchise Disclosure Document. We had no franchisee who had an outlet terminated, canceled or not renewed, or that otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or had not communicated with us within 10 weeks of 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.

No franchisees have signed confidentiality provisions in the last 3 years that would restrict their ability to speak openly about their experience with the System.

There are no trademark-specific franchise organizations associated with our System.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit ~~FE~~ is our audited financial statements for the fiscal years ending December 31, ~~2022, December 31,~~2023, December 31, 2024, and December 31, ~~2024~~2025.

The franchisor's fiscal year end is December 31.

ITEM 22 **CONTRACTS**

The following are attached to this disclosure document:

Exhibit A – Franchise Agreement

~~Exhibit B – Area Development Agreement~~

Important Notice: 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.

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document as Exhibit H. Please return one signed copy to us and retain the other for your records.

EXHIBIT A
FRANCHISE AGREEMENT

(see attached)



FRANCHISE AGREEMENT

Franchisee

Date of Agreement: _____

Date of Restaurant Opening: _____

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. ~~GRANT OF FRANCHISE~~	~~2~~
2. ~~DEVELOPMENT AND OPENING OF THE RESTAURANT~~	~~3~~
3. ~~TRAINING AND GUIDANCE~~	~~5~~
4. ~~PROPRIETARY MARKS~~	~~7~~
5. ~~RELATIONSHIP OF THE PARTIES/INDEMNIFICATION~~	~~9~~
6. ~~FEES~~	~~10~~
7. ~~CONFIDENTIAL INFORMATION~~	~~11~~
8. ~~RESTAURANT IMAGE AND OPERATING STANDARDS~~	~~14~~
9. ~~MARKETING~~	~~19~~
10. ~~ACCOUNTING, REPORTS, AND FINANCIAL STATEMENTS~~	~~21~~
11. ~~ANNUAL REVIEWS, INSPECTIONS, AND AUDITS~~	~~22~~
12. ~~TRANSFER~~	~~23~~
13. ~~SUCCESSOR FRANCHISE~~	~~26~~
14. ~~TERMINATION OF AGREEMENT BY FRANCHISEE OR CESSATION OF RESTAURANT OPERATION~~	~~27~~
15. ~~TERMINATION OF THE FRANCHISE~~	~~28~~
16. ~~RIGHTS AND OBLIGATIONS OF FRANCHISOR AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE~~	~~30~~
17. ~~TEMPORARY DE-IDENTIFICATION OF THE RESTAURANT~~	~~33~~
18. ~~CASUALTY LOSS OR CONDEMNATION~~	~~33~~
19. ~~ENFORCEMENT~~	~~34~~
20. ~~NOTICES AND PAYMENTS~~	~~37~~
21. ~~ARBITRATION AND DISPUTE RESOLUTION~~	~~38~~
22. ~~NOTICE TO FRANCHISEE~~	~~39~~

1.	GRANT OF FRANCHISE	2
2.	DEVELOPMENT AND OPENING OF THE RESTAURANT	3
3.	TRAINING AND GUIDANCE.....	5
4.	PROPRIETARY MARKS	8
5.	RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.....	9
6.	FEES	10
7.	CONFIDENTIAL INFORMATION	12
8.	RESTAURANT IMAGE AND OPERATING STANDARDS.....	14
9.	MARKETING.....	20
10.	ACCOUNTING, REPORTS, AND FINANCIAL STATEMENTS	22
11.	ANNUAL REVIEWS, INSPECTIONS, AND AUDITS	22
12.	TRANSFER.....	23
13.	SUCCESSOR FRANCHISE	27
14.	TERMINATION OF AGREEMENT BY FRANCHISEE OR CESSATION OF RESTAURANT OPERATION	28
15.	TERMINATION OF THE FRANCHISE.....	28
16.	RIGHTS AND OBLIGATIONS OF FRANCHISOR AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE	31
17.	TEMPORARY DE-IDENTIFICATION OF THE RESTAURANT	33
18.	CASUALTY LOSS OR CONDEMNATION	34
19.	ENFORCEMENT	35
20.	NOTICES AND PAYMENTS	38
21.	ARBITRATION AND DISPUTE RESOLUTION	38
22.	NOTICE TO FRANCHISEE.....	40

Attachments:

Attachment 1	Restaurant Information	Attachment 1-1
Attachment 2	Guaranty and Assumption of Obligations	Attachment 2-1
Attachment 3	Collateral Assignment of Telephone Numbers, Telephone Listings, and Internet Addresses	Attachment 3-1
Attachment 4	~~Intentionally Omitted~~ <u>Minimum Asset Purchase Warranties and Minimum Stock Purchase Warranties</u>	Attachment 4-1
Attachment 5	State Specific Addenda	Attachment 5-1
Attachment 6	Statement of Ownership	Attachment 6-1
Attachment 7	Authorization Agreement for ACH Payments	Attachment 7-1

FRANCHISE AGREEMENT

This Franchise Agreement is made on this _____ day of _____, 20____ (**“Effective Date”**), between WinStar 85C, LLC, a Delaware limited liability company (**“Franchisor”**), and _____ (**“Franchisee”**).

WITNESSETH:

WHEREAS, Franchisor, directly and/or indirectly through its affiliates, owns certain confidential information relating to, and has designed, instituted, developed and promoted a unique bakery cafe concept for which substantial goodwill has been created. Such bakery cafes are operated under the trade name “85°C BAKERY CAFE,” utilizing distinctive recipes, ingredients, and methods of preparing and serving cakes, bread, drinks and other food items, and are operated with uniform formats, systems, menus, methods, specifications, standards, and procedures (**“System”**), all of which may be improved, further developed, or otherwise modified by Franchisor from time-to-time. Franchisor uses, promotes, and licenses the proprietary service mark “85°C” (and associated designs) and other trademarks, service marks, logos, and commercial symbols in connection therewith (**“Proprietary Marks”**); and

WHEREAS, Franchisor grants to persons who meet Franchisor’s qualifications and are willing to undertake the requisite investment and effort to establish and develop “85°C” bakery cafes (**“Franchised Restaurants”**), franchises to operate Franchised Restaurants offering the food and drink items authorized and approved by Franchisor and utilizing the System and the Proprietary Marks; and

WHEREAS, Franchisee acknowledges that Franchisee has read this Agreement and Franchisor’s Franchise Disclosure Document and that Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards at all Franchised Restaurants in order to protect and preserve the goodwill of the Proprietary Marks; and

WHEREAS, Franchisee acknowledges that other license or franchise agreements have been or may be granted by Franchisor at different times and in different situations and further acknowledges that the terms and conditions of such agreements may vary from those contained in this Agreement; and

WHEREAS, Franchisee acknowledges that Franchisee has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that, like any other business, it involves business risks and that the success of the venture is largely dependent upon the business abilities of Franchisee; and

WHEREAS, Franchisee acknowledges that in all of their dealings with Franchisee, the officers, directors, employees, and agents of the Franchisor act only in a representative capacity and not in an individual capacity; and

WHEREAS, Franchisee further acknowledges that this Agreement, and all business dealings between Franchisee and such individuals as a result of this Agreement, are solely between Franchisee and Franchisor.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows.

1. GRANT OF FRANCHISE

1.01 Grant of License. Franchisee has applied for a franchise to own and operate one (1) Franchised Restaurant at the location set forth in **Attachment 1** (“**Premises**”) and such application has been approved by Franchisor in reliance upon all of the representations made in this Agreement. If, at the time of execution of this Agreement, a site location has not been approved or the address is not known, Franchisee shall obtain a location, subject to Franchisor’s approval, within the geographical area described in **Attachment 1**, and at such time as the address of the Premises is determined, then the address will be incorporated into this Agreement through an amendment. Franchisor hereby grants to Franchisee, subject to all of the terms, provisions, and conditions contained in this Agreement, a non-exclusive franchise (“**Franchise**”) to operate a Franchised Restaurant solely at the Premises, and to use the System and Proprietary Marks in the operation thereof, for a term (“**Term**”) of ten (10) years commencing on the Effective Date of this Agreement and ending on the tenth (10th) anniversary of the date the Franchised Restaurant first opens for business unless sooner terminated, as provided in Section 15. Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise.

Provided Franchisee is in substantial compliance with this Agreement, Franchisor shall not operate or grant a franchise for the operation of another Franchised Restaurant within a one (1) mile radius of the above Premises (“**Exclusive Area**”) nor will Franchisor itself operate or grant a franchise for the operation of any other bakery cafes similar to the type of bakery cafe used in the System without first offering such bakery cafe to Franchisee in a manner comparable to that provided to Franchisor in Section 12 of this Agreement.

1.02 Retention of Certain Rights. Notwithstanding anything to the contrary, Franchisor (on behalf of itself and its affiliates) retains the right in its sole discretion to:

(a) establish company-owned or affiliate-owned “85°C” bakery cafes, grant others the right to operate Franchised Restaurants, or grant other franchises that provide products or services outside of the Exclusive Area, all without compensation to Franchisee.

(b) offer, sell or distribute any products or services associated with the System (now or in the future) under the Proprietary Marks or any other trademarks, service marks or trade names, outside of the Exclusive Area, all without compensation to Franchisee.

(c) grant others the right to operate bakery cafes or any other business within and outside the Exclusive Area under trademarks other than the Proprietary Marks specifically licensed to Franchisee in the Franchise Agreement within or outside the Exclusive Area, without compensation to Franchisee.

(d) offer and sell any food products, including any frozen, pre-packaged items or other products, under the Proprietary Marks, or other marks, through any distribution channel or method within or outside the Exclusive Area, without compensation to Franchisee. The distribution channels or methods may include, without limitation, retail food stores including but not limited to grocery stores and convenience stores, hotel shops, kiosks, theatres, malls, airports, college campuses, gas stations, and other retail locations, at special events or through any other channels of distribution, including other restaurants, mail order, catalogue sales, or over the Internet (or any existing or future form of electronic commerce including but not limited to social media websites and mobile communication devices), within or outside the Exclusive Area, all without compensation to Franchisee.

(e) offer or sell any products or services under any other marks through any other channels of distribution regardless of location.

(f) give, donate or contribute products associated with the System (now or in the future) to charitable and community organizations and events for fundraising and other events, and offer products associated with the System (now or in the future) for sampling by customers and organizations for product testing, promotions and demonstrations at any location except at Franchisee's Franchised Restaurant unless approved by Franchisee.

(g) conduct market research at Franchisee's Franchised Restaurant for reasons including, but not limited to, understanding customer demographics, customer psychographics, purchasing behavior, new product acceptance, and other similar purposes.

(h) implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere. Franchisor reserves the right to issue mandatory policies to coordinate such multi-area marketing programs.

1.03 Agreement to Operate. Franchisee agrees that it will at all times, faithfully, honestly and diligently perform its obligations of this Agreement, that it will continuously exert its best efforts to promote and enhance the business of the Franchise and that it will not engage in the operation of any other bakery cafes or similar business or activity that may conflict with its obligations, in Franchisor's sole discretion, without prior notification and approval by Franchisor in writing.

~~1.03~~ 1.04 Relocation. If Franchisee requests and Franchisor grants permission to relocate the Franchised Restaurant, Franchisee shall pay Franchisor a Relocation Fee equal to twenty-five percent (25%) of the then-current Initial Franchise Fee, plus Franchisor's reasonable costs and expenses associated with the relocation.

2. DEVELOPMENT AND OPENING OF THE RESTAURANT

2.01 Site Plan Approval; Construction. Franchisee shall not commit to purchase or lease any real property, and Franchisee shall not commence any construction, unless and until the Franchisor has specifically accepted in writing the site location of the Franchised Restaurant proposed by Franchisee and the site plan and other plans and specifications in accordance with which such Franchised Restaurant shall be constructed and equipped. In the event Franchisee leases any real property for the development of the Franchised Restaurant, Franchisee shall cause such lease to contain provisions which state that:

- (a) such lease is assignable to Franchisor without the prior approval of the lessor;
- (b) that Franchisor shall be entitled to receive notice of any Franchisee defaults and the right, but not the obligation, to cure such defaults;
- (c) that upon taking assignment from Franchisee, Franchisor shall be entitled to reassign or sublet the Premises to any affiliate or franchisee of Franchisor and to be released from any further liability under the lease in case of an assignment; and
- (d) that Franchisor shall be entitled to receive from lessor copies of any reports or financial statements submitted to lessor by Franchisee.

Franchisee shall cause all construction and equipping of the Franchised Restaurant licensed hereunder to be done in strict compliance with plans and specifications previously provided and accepted by the

Franchisor. ~~No~~ deviations therefrom shall be made without the express written acceptance of the Franchisor. The Franchisor shall have the right to supervise and inspect all construction to ensure its compliance with approved plans and specifications. Franchisor will provide up to three (3) on-site visits in connection with the opening of the Franchised Restaurant (up to 2 visits for construction review and 1 visit for site evaluation) without additional cost. If Franchisor provides any additional on-site visits, Franchisee must reimburse Franchisor for its reasonable costs and expenses incurred, including travel, lodging, and out-of-pocket expenses. After completion of construction, Franchisee shall not alter, add to, eliminate or modify the interior or exterior of such Franchised Restaurant or any equipment, furnishings or fixtures therein in any material manner without the prior approval of the Franchisor.

2.02 Architectural Plans. Franchisor shall furnish standard plans and specifications (“**Plans and Specifications**”) for a prototype Franchised Restaurant reflecting Franchisor’s then current requirements for its design, materials, layout, equipment, fixtures, furniture, furnishings and decoration. It shall be the sole obligation of Franchisee to modify Franchisor’s standard Plans and Specifications to the extent necessary to comply with all applicable ordinances, building codes, permit requirements, lease requirements and restrictions and market considerations. Franchisee shall bear all expenses of obtaining all requisite professional certifications required to construct the Premises. Franchisee’s architect(s) must be pre-approved by Franchisor. The cost of all modifications shall be at Franchisee’s sole expense. In the event Franchisee remodels a Franchised Restaurant, it shall be Franchisee’s sole responsibility to obtain modified plans and specifications (“**Modified Plans and Specifications**”) at Franchisee’s expense. If Modified Plans and Specifications are prepared by Franchisee, or for Franchisee by anyone other than Franchisor, or if Plans and Specifications furnished by Franchisor for the Franchised Restaurant are modified by or for Franchisee by anyone other than Franchisor, Franchisee shall submit final, detailed Modified Plans and Specifications to Franchisor for its prior written consent before any remodeling or construction is commenced. All Plans and Specifications created by Franchisor are the property of Franchisor. Additionally, all Modified Plans and Specifications created by Franchisee or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the property of the Franchisor, who shall be entitled to use and license others to use the Modified Plans and Specifications unencumbered by moral rights. To the extent the Modified Plans and Specifications are not works made for hire or rights in the Modified Plans and Specifications do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Modified Plans and Specifications, which Franchisee and the author of such Modified Plans and Specifications warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Modified Plans and Specifications from another person or entity necessary to ensure Franchisor’s right in the Modified Plans and Specifications as required in this Section 2.02. All construction and remodeling must be in strict accordance with Plans and Specifications or Modified Plans and Specifications furnished or approved by Franchisor. Franchisor shall have the right to supervise and to inspect all construction and renovation to insure its compliance with approved Plans and Specifications or Modified Plans and Specifications.

2.03 Franchised Restaurant Development. Franchisee agrees at its expense to do or cause to be done the following within fifteen (15) months after the date of this Agreement:

- (a) secure all financing required to fully develop the Franchised Restaurant;
- (b) obtain all required building, utility, sign, health, sanitation, business permits and licenses, and any other required permits and licenses;

(c) engage architect(s) (which architect(s) must be preapproved by ~~Franchisor~~ Franchisor), interior designers, kitchen equipment suppliers, and construction contractors that are experienced in restaurant design, development and construction, are qualified to perform their respective trades and services and are duly licensed and qualified to conduct their respective business, trade and service in the applicable jurisdiction(s);

(d) construct all required improvements to the Premises and decorate the Franchised Restaurant in compliance with plans and specifications approved by Franchisor;

(e) purchase and install all required fixtures, equipment, furniture, furnishings and signs required for the Franchised Restaurant;

(f) purchase an opening inventory of authorized and approved food and beverage products and other materials and supplies; and

(g) open the Franchised Restaurant for business in accordance with the provisions of Section 1.03.

In the event Franchisee fails to do or cause to be done any of the above within the time period specified above, Franchisee shall pay to Franchisor, as liquidated damages, the amount of Three Hundred Dollars (\$300) per day until such time as Franchisee is in compliance with this Section 2.03 or until such time as both Franchisor and Franchisee execute mutual releases whereby each party releases the other party from any obligations arising out of this Section 2.03, this Agreement or any other agreement.

2.04 Franchised Restaurant Opening. Franchisor will assist and advise in the preparation of a grand opening advertising and promotional plan for Franchised Restaurant which will contain Franchisor's advice and guidance with regard to staffing, decoration, promotional activity and operation of the Franchised Restaurant during the grand opening period. Franchisee shall implement such grand opening advertising and promotional program and spend in a manner approved by Franchisor not less than Ten Thousand Dollars (\$10,000) for advertising and promotional activities during the period commencing with the opening of the Franchised Restaurant and ending thirty (30) days thereafter. Any changes by Franchisee to such grand opening advertising and promotional plan, or any related marketing materials, must be approved by Franchisor.

2.05 Furnishings, Fixtures, Signs, Equipment and Materials. Franchisee agrees to use in the development and operation of the Franchised Restaurant only those brands, types, or models of equipment, fixtures, furniture, furnishings, signs, and display cases, paperware and plasticware (collectively the "Materials") that Franchisor has approved as meeting its specifications and standards for quality, design, appearance, warranties, and function. The equipment, fixtures, furniture, furnishings, signs, and Materials designated by Franchisor from time-to-time, shall be purchased only from suppliers approved by Franchisor. Franchisee shall not install or have installed any vending machines, video games, or similar devices without the prior written approval of Franchisor.

3. TRAINING AND GUIDANCE

3.01 Store Management. The Franchised Restaurant must at all times be directly supervised by Franchisee or by a designated restaurant general manager ("Restaurant Manager") acceptable to Franchisor in Franchisor's reasonable discretion. Franchisor shall furnish to Franchisee, or Franchisee's Restaurant Manager as the case may be, and at least three (3) but up to ~~seven (7)~~ ~~five (5)~~ assistant managers a training program of up to ~~eight (8)~~ ~~six (6)~~ weeks duration in the operation of a Franchised Restaurant during such period as Franchisor designates prior to the commencement of the operation of the Franchised

Restaurant. Franchisor has the right to designate the training program be furnished at one (1) or more of Franchisor's principal offices, another Company-operated restaurant or a Franchised Restaurant. Franchisee or the Franchised Restaurant's Restaurant Manager, if other than Franchisee, must successfully complete Franchisor's training program to the satisfaction of Franchisor. Franchisee, or the Restaurant Manager, as the case may be, and at least three (3) assistant managers, must be in training at least sixty (60) days prior to the opening of the Franchised Restaurant. -Any subsequently hired Restaurant Manager must successfully complete Franchisor's training program within three (3) months of the date such Restaurant Manager was hired by Franchisee. - Franchisee shall bear all personnel expenses of its trainees during all training programs, including, but not limited to, salaries, benefits, travel, food and lodging costs, and any training fees imposed by Franchisor or the franchisee which owns and operates any Franchised Restaurant at which any aspect of Franchisee's training program takes place.

3.02 Franchisor Support During Start-Up Period. To assist with the store opening, Franchisor shall provide one (1) or more management persons (from Franchisor's staff) for up to a combined twenty-one (21) days to assist with training before and immediately following the opening of the Franchised Restaurant. Franchisor shall bear all personnel expenses of such persons, including, but not limited to, salaries, travel, food and lodging costs.

3.03 Franchisee Supplemental Trainers During Start-Up Period. In addition to the management persons provided by Franchisor, Franchisee shall also be required to obtain (or Franchisor will obtain) a minimum of five (5) additional individuals ("**Supplemental Trainers**") to assist with training of Franchisee's employees during the period before and immediately after the initial opening of the Franchised Restaurant, for such length of time as Franchisor shall determine. The Supplemental Trainers may include Franchisee's own employees, employees of Franchisor or its franchisees, or independent trainers. Franchisor will obtain the Supplemental Trainers for Franchisee if Franchisee provides a written request that Franchisor do so or if Franchisee has not obtained the required Supplemental Trainers prior to thirty (30) days prior to opening. The identities and qualifications of each Supplemental Trainer shall be presented in writing to Franchisor (if obtained by Franchisee) not less than thirty (30) days prior to the proposed opening of the Franchised Restaurant. The number of Supplemental Trainers engaged and the acceptability of the qualifications of each individual Supplemental Trainer shall be at the discretion of Franchisor. Franchisee shall bear all personnel expenses incurred from the use of Supplemental Trainers, including, but not limited to, salaries, benefits, workers compensation expenses, travel, food and lodging costs. Franchisee shall be required to deposit funds with Franchisor to cover the estimated costs and expenses not less than thirty (30) days prior to the proposed opening date of the Franchised Restaurant, in accordance with Franchisor's policy as set forth in the Manual. After all costs have been finally determined, Franchisor will prepare a final cost analysis and prepare an invoice (if costs exceed the deposit amount) or a credit (if costs are less than the deposit amount) and submit to Franchisee. It is acknowledged and agreed that while providing such start-up assistance Franchisor shall only have a duty to utilize its reasonable efforts and shall not be liable to Franchisee or its owners for any debts, losses, or obligations incurred by the Franchised Restaurant, or to any creditor of Franchisee for any food products, materials, equipment, fixtures, furnishings, Materials, supplies, or services purchased by the Franchised Restaurant during the periods of time when the training services are being rendered by Franchisor's personnel.

3.04 Restaurant Managers - Generally. In addition to the rights established hereunder, including those in Section 11, Franchisor and its representatives shall have the right to communicate directly with Franchisee's Restaurant Manager concerning all matters of an operational nature. Franchisor may require Franchisee and/or previously trained and experienced Restaurant Managers to attend periodic refresher courses at locations designated by Franchisor, and failure of Franchisee or the Restaurant Manager to attend such refresher courses shall constitute a default of this Agreement. Franchisee shall be responsible for all personnel salaries, benefits, travel and living expenses which Franchisee and/or its Restaurant Manager incur in connection with initial training and any subsequent refresher training programs.

3.05 Interference With Employment Relations. During the term of this Agreement, neither Franchisor nor Franchisee shall employ or seek to employ, directly or indirectly, any person serving in a managerial position who is at the time or was at any time during the prior six (6) months employed by the other party. This Section shall not be violated if, at the time Franchisor or Franchisee employ or seek to employ such person, the then current or former employer, as the case may be, has given its written consent. The parties acknowledge and agree that in the event this Section is violated, that notwithstanding Section 15.01, the former employer shall be entitled to liquidated damages in the amount of Twenty-Five Thousand Dollars (\$25,000) plus reimbursement of all costs and attorney fees incurred. For purposes of this Section 3.04, “managerial position” includes all employees at the pay grade of Restaurant Manager or assistant manager and above as that term is defined in the Manual.

3.06 Additional and Remedial Training. In the event Franchisee requests additional training, or if Franchisor determines in its sole discretion that remedial training is necessary (e.g., if Franchisee fails a quality control inspection), Franchisor will provide trainers to conduct such training. Franchisee shall pay Franchisor its then-current fee for additional and/or remedial training (currently Three Hundred Sixty Dollars (\$360) per day per trainer (maximum 8 hours per day)), plus reimbursement of reasonable costs of travel, lodging, and other out-of-pocket expenses for Franchisor’s trainers. Franchisee shall also pay the payroll costs for its personnel attending the training

~~3.06~~3.07 Guidance. Franchisor shall advise Franchisee from time-to-time of operating problems of the Franchised Restaurant disclosed by reports submitted to or inspections made by Franchisor or by independent persons hired by Franchisor (“**Mystery Shoppers**”) and shall furnish to Franchisee guidance in connection with:

- (a) methods, standards, and operating procedures utilized by the Franchised Restaurants;
- (b) preparation of food and beverage products and development of new products;
- (c) purchasing approved equipment, furnishings, fixtures, furniture, signs, Materials, food products, beverages, and supplies;
- (d) advertising and promotional programs;
- (e) employee training; and
- (f) administrative, bookkeeping, accounting, and general operating and management procedures.

Such guidance shall, in the discretion of Franchisor, be furnished in the form of the Franchisor’s confidential operations manual (“**Manual**”), bulletins, other written materials, and/or telephonic consultations or consultations at the offices of Franchisor or at the Franchised Restaurant. If requested by Franchisee, Franchisor may, at its election, furnish additional guidance and assistance at per diem fees based upon Franchisor’s actual cost in providing such guidance and assistance.

~~3.07~~3.08 Manual. Franchisor will loan to Franchisee during the term of the Franchised Restaurant one (1) copy of the Manual. The Manual shall contain mandatory and suggested specifications, standards, and operating procedures prescribed from time-to-time by Franchisor for the Franchised Restaurant and information relative to other obligations of the Franchisee hereunder and in the operation of Franchised Restaurants. The Manual may be modified from time-to-time in Franchisor’s sole discretion to reflect changes in the image, decor, design, format, appearance, methods, standards and specifications, operating procedures, menus and recipes, and food products and beverages approved and required for the

Franchised Restaurants. Franchisor reserves the right to maintain the Manual in electronic form and also reserves the right to require Franchisee to use the Manual in that format. Franchisee shall keep its copy of the Manual current and in the event of a dispute relative to the contents of the Manual, the master copy maintained by Franchisor at its principal office or in electronic form shall be controlling. Franchisee may not at any time reproduce any part of the Manual.

4. PROPRIETARY MARKS

4.01 Ownership of Goodwill and Proprietary Marks. Franchisee acknowledges that Franchisee's right to use the Proprietary Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor from time-to-time during the term of this Agreement. Any unauthorized use of the Proprietary Marks by Franchisee shall constitute a breach of this Agreement and an infringement of the rights of Franchisor in and to the Proprietary Marks. Franchisee acknowledges and agrees that all usage of the Proprietary Marks by Franchisee and any goodwill established thereby shall inure to the exclusive benefit of Franchisor and that this Agreement does not confer any goodwill or other interests in the Proprietary Marks upon Franchisee other than the right to operate a Franchised Restaurant in compliance with this Agreement. All provisions of this Agreement applicable to the Proprietary Marks shall apply to any additional proprietary, trade and service marks, and commercial symbols hereafter authorized for use by and licensed to Franchisee by Franchisor.

4.02 Limitations on Franchisee's Use of Proprietary Marks. Franchisee agrees to use the Proprietary Marks as the sole identification of the Franchised Restaurant, provided that Franchisee shall identify itself as the independent owner thereof in the manner prescribed by Franchisor. Franchisee shall not use any Proprietary Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Franchisee hereunder), or in any modified form (including, utilizing Franchisor's trademarks or registered name for posting, or for use in, a webpage on the Internet, registering an Internet domain name, or in an electronic mail address), nor may Franchisee use any Proprietary Mark in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by Franchisor. Franchisee agrees to prominently display the Proprietary Marks at the Franchised Restaurant, on menus, supplies, or packaging materials designated by Franchisor, and in connection with advertising and marketing materials. All Proprietary Marks shall be displayed in the manner prescribed by Franchisor. Franchisee agrees to give such notices of trade and service mark registrations as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

4.03 Infringement. Franchisee shall notify Franchisor in writing within three (3) days of the date Franchisee learns about any apparent infringement of, or challenge to Franchisee's use of any Proprietary Mark, or claim by any person of any rights in any Proprietary Mark or similar trade name, trademark, or service mark of which Franchisee becomes aware. Franchisee shall not communicate with any person other than Franchisor, its counsel or Franchisee's counsel in connection with any such infringement, challenge, or claim. Franchisor shall have sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any such infringement, challenge, or claim or otherwise relating to any Proprietary Mark or the System. If Franchisor elects, in its sole discretion, to defend the infringement allegation, Franchisor shall, at Franchisor's own cost and expense, vigorously defend Franchisee to the Court of first determination against any challenge to Franchisee's use of any Proprietary Mark or right to use the System, or part thereof, or any claim by any person of any rights in any Proprietary Mark or similar trade name, trademark, service mark or trade dress used in connection with the System or the business contemplated hereby except for proprietary rights in trade names, trademarks, or service marks arising under the common law and Franchisor shall indemnify Franchisee from any and all loss or damage

Franchisee may suffer, whether by a judgment against Franchisee or by a settlement consented to by Franchisor arising from such challenge or claim. Franchisee shall make no claim against Franchisor and shall hold Franchisor harmless from any and all direct or indirect, costs, damages, demands, expenses, losses or liabilities suffered by Franchisee as a result of any modification of the System necessitated by such claim or challenge, including the costs of altering the Franchised Restaurant, or any reduction in sales revenues or profits, or increased capital expenditures or operating costs resulting from such modification and occasioned by any litigation arising out of any such claim or challenge relating to Franchisee's use of any Proprietary Mark or right to use the System. Further, Franchisee shall waive any and all past, present or future claims, demands, or actions it may have against Franchisor arising from such litigation except as provided in the foregoing provisions of this Section 4.03. Franchisee agrees to and shall execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain the interests of Franchisor in any such litigation, U.S. Patent and Trademark Office proceeding, other administrative proceeding, or to otherwise protect and maintain the interests of Franchisor in the Proprietary Marks.

4.04 Discontinuance of Use of Proprietary Marks. If it becomes advisable at any time in Franchisor's sole discretion for Franchisor and/or Franchisee to modify or discontinue use of any Proprietary Marks, and/or to use one (1) or more additional or substitute trade or service marks, Franchisee agrees to and shall comply with Franchisor's direction to supplement, modify or otherwise discontinue, at Franchisee's own expense the use of such Proprietary Marks within a reasonable time after notice thereof by Franchisor.

5. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

5.01 Independent Status. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Franchisor and Franchisee shall be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. Franchisee shall conspicuously identify itself in all dealings with customers, suppliers, public officials, and others as the owner of the Franchised Restaurant under a franchise with Franchisor and shall place such other notices of independent ownership on such forms, guest checks, business cards, comment cards, stationery, advertising, and other materials as Franchisor may require from time-to-time.

5.02 Additional Limitations on Franchisee's Use of Proprietary Marks. Franchisor has not authorized or empowered Franchisee to use the Proprietary Marks except as provided by this Agreement and Franchisee shall not employ any of the Proprietary Marks in signing any contract, check, purchase agreement, negotiable instrument, or legal obligation, application for any license or permit, or in a manner that may result in liability of Franchisor for any indebtedness or obligation of Franchisee. Except as expressly authorized by this Agreement, neither Franchisor nor Franchisee shall make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that their relationship is other than franchisor and franchisee.

5.03 Limitations on Liability. Neither Franchisor nor Franchisee shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized hereunder, nor shall Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Restaurant, or Franchisee's business authorized by or conducted pursuant to the Franchise, whether caused by Franchisee's negligent or willful action or failure to act to the relative extent such damages do not arise out of Franchisor's negligence, wrongful act or improper failure to act. Franchisor shall have no liability for any sales, use, occupation, excise, gross receipts, income, property or other taxes, whether levied upon Franchisee, the Franchised Restaurant, or

Franchisee's property, or upon Franchisor, in connection with the sales made or business conducted by Franchisee or payments to Franchisor pursuant hereto.

5.04 Indemnification. Franchisee shall indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees, agents, and assignees against any liability for any claims, including those specified in Section 5.03, arising out of the operation of the Franchised Restaurant. For purposes of this indemnification, "**claims**" shall mean and include all obligations, actual and consequential damages, taxes, and costs reasonably incurred by Franchisor in the defense of any claim against Franchisor or in any action in which Franchisor is named as a party, including without limitation reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor shall have the right to defend any such claim against it by employing reasonable counsel of its choice, subject to full reimbursement of all legal fees by Franchisee. Franchisor shall use its reasonable efforts to cooperate with Franchisee in any litigation or judicial or administrative proceeding to avoid duplication of time, effort or expenditure to the greatest extent possible without compromising Franchisor's interest in such matter. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

6. FEES

6.01 Initial Franchise Fees~~Fee~~. Franchisee shall pay to the Franchisor an initial franchise fee ("**Initial Franchise Fee**") in the amount of Fifty Thousand Dollars (\$50,000.00)¹, which is due and payable at the time Franchisee submits this Agreement to Franchisor for execution by Franchisor. The parties agree that the Initial Franchise Fee is fully earned by Franchisor upon receipt of payment by Franchisee and Franchisee shall not be entitled to a refund of the Initial Franchise Fee for any reason.

6.02 Continuing Royalties. Franchisee shall pay to Franchisor during the term of this Agreement on or before the Wednesday of each calendar week a royalty and service fee in the amount of ~~the~~ six and one-half percent (6.5%) of the Gross Sales (as defined in Section 6.05), which amount is derived from the operation of the Franchised Restaurant for the then preceding calendar week ("**Continuing Royalties**"). If there is hereafter assessed any nature of sales tax or use tax or other tax on Continuing Royalties or other sums previously or hereafter received by Franchisor under this Agreement ("**Sales Tax**"), then in addition to all Continuing Royalties and other payments to be made by Franchisee as provided in this Agreement, Franchisee shall also pay Franchisor or the taxing authority, if required by law, a sum equal to the amount of such Sales Tax. The term "Sales Tax" shall not include any income taxes applicable to Franchisor. Any Sales Tax paid to Franchisor shall be paid when due to the taxing authority.

6.03 Marketing Fee. Franchisee shall pay to Franchisor during the term of this Agreement on or before the Wednesday of each calendar week a Marketing Fee in the amount of ~~the~~ one percent (1.0%) of the Gross Sales (as defined in Section 6.05), as further described in Section 9.01. Franchisor shall have the right to increase the Marketing Fee; provided, however, Franchisor will not increase the Marketing Fee more than one-half percent (0.5%) of the Gross Sales each calendar year, and the maximum Marketing Fee will be two (2) percent (2%) of the Gross Sales.

6.04 Information Technology (IT) Support Fee. Franchisee shall pay to Franchisor during the term of this Agreement on or before the first Wednesday of each calendar month an information technology support fee ("**IT Support Fee**") in the amount of One Thousand ~~Three Hundred~~ Dollars (\$1,~~000~~300.00). The IT Support Fee is used to provide tech support, via a call center help desk, for ISP/phone service, television menu, music service, computer hardware, software, and/or point-of-sale system Franchisor

¹ For the Franchisee's second and each subsequent 85°C Bakery Café, the Initial Franchise Fee will be discounted to \$40,000.

requires Franchisee to use, any loyalty program, mobile application and/or online ordering capabilities Franchisor may use or develop for use in the System and for other technology-related products or services that are or become part of the System. Franchisor reserves the right to increase the amount of the IT Support Fee, but in no event will Franchisor increase it more than once every twelve (12) months. To the extent additional technology or upgrades to existing technology is required by Franchisor, Franchisee may incur additional costs and expenses (e.g., for purchase of hardware and/or software licensing). For services not covered under the standard IT Support Fee, additional fee(s) will be determined on a case-by-case basis.

Franchisee agrees to sign and return to Franchisor Franchisor's current form of "Authorization Agreement for ACH Payments" (the "**ACH Authorization Form**"), a copy of which is attached to this Agreement as **Attachment 7**, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manual. Notwithstanding the foregoing, Franchisee agrees to allow Franchisor to automatically debit all Continuing Royalties (as defined by Section 6.02) and other fees, including but not limited to the Marketing Fee (as defined by Section 9.01) and the IT Support Fee (as defined by Section 6.04) from the bank account designated on the ACH Authorization Form. Any lack or deficiency of appropriate funds in the account during a debit withdrawal will constitute a default under Section 15. Upon any change of bank account information, Franchisee must immediately inform Franchisor and submit a new ACH Authorization Form for continuation of royalty and fee withdrawals.

6.05 Definition of "Gross Sales." As used in this Agreement, the term "**Gross Sales**" shall mean the retail price for all sales and orders made, solicited or received at the Franchised Restaurant licensed hereunder and all other business whatsoever conducted or transacted at or from such Franchised Restaurant, whether such Gross Sales are evidenced by cash, credit, check, gift certificates/cards, services, property or other means of exchange and whether such Gross Sales are derived from the sale of food, beverages, merchandise, other goods, supplies or catering services. Gross Sales shall also be deemed to mean the total aggregate of all monies and receipts received by Franchisee from any other business operated upon the Premises. However, there shall be excluded from Gross Sales all Sales Taxes imposed by governmental authorities directly on sales and actually collected from customers, provided such taxes are added to the selling price and accounted for separately on all sales receipts and are, in fact, paid by Franchisee to the appropriate governmental authority. Gross Sales shall be deemed to be realized by Franchisee at the time of the sale or delivery of the products, merchandise, or services, irrespective of the time when Franchisee actually received payment. In the event of the occurrence of a casualty loss, the definition of Gross Sales shall be an amount equal to the lost revenues utilized by Franchisee's insurance company in calculating the amount of revenues recoverable under any business interruption policy.

6.06 Interest on Late Payments- and Insufficient Funds Fee. All Continuing Royalties and marketing contributions due hereunder, amounts due for purchases by Franchisee from Franchisor or its affiliates, and other amounts which Franchisee owes to Franchisor or its affiliates shall be paid punctually, without the necessity for invoice by Franchisor, and shall bear interest after the due date at the rate that is the lesser of the highest applicable legal rate for open account business credit or one and one-half percent (1.5%) per month. In addition, if any payment, check, or electronic funds transfer by Franchisee is returned for insufficient funds or is otherwise uncollectible, Franchisee shall pay Franchisor an Insufficient Funds Fee of One Hundred Dollars (\$100.00) per occurrence. Franchisee acknowledges that this Section shall not constitute Franchisor's agreement to accept such payments after such payments are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Restaurant. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 15, notwithstanding the provisions of this Section.

6.07 Application of Payments. Notwithstanding any designation by Franchisee, Franchisor shall have sole discretion to apply any payments by Franchisee or any rebate or other third party payment received by Franchisor on behalf of Franchisee, if any, to any past due indebtedness of Franchisee for

Continuing Royalties, Marketing Fee, IT Support Fee due Franchisor, purchases from Franchisor or its affiliates, interest or any other indebtedness.

6.08 Retention of Fees by the Franchisor. Franchisee acknowledges and agrees that in the event of the termination of the license granted under this Agreement for any reason whatsoever, the Franchisor shall be entitled to retain for its own account any and all Initial Franchise Fee, Continuing Royalties, Marketing Fee and IT Support Fee payments previously made by Franchisee, and Franchisee agrees that such payments shall be fully earned by the Franchisor as of the date of such payments, and whether or not the Franchised Restaurant licensed under this Agreement is ever opened for business by Franchisee in the Exclusive Area.

7. CONFIDENTIAL INFORMATION

Franchisor possesses certain types of confidential information, including but not limited to, menu items and new test menu items, ingredients, recipes, formulas, and methods of preparation and presentation of food and drink products sold at Franchised Restaurants, as well as the methods, techniques, formats, specifications, procedures, information, systems, computer software, and knowledge of and experience in the operation and franchising of Franchised Restaurants, and further including, without limitation, any and all of the foregoing that may arise by reason of Franchisor's franchise of, and Franchisee's operation of, the Franchised Restaurant during the term of this Agreement ("**Confidential Information**").

Franchisor will disclose the Confidential Information to Franchisee when rendering guidance and assistance to Franchisee under the terms of this Agreement, including by way of example, furnishing the Manual.

7.01 Limitation on Interest in Confidential Information. Franchisee acknowledges and agrees that, although Franchisee has the right to use the Confidential Information, Franchisee will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Restaurant (and other Franchised Restaurants, if any, developed under other agreements with Franchisor) during the term of this Agreement, and that the use or duplication of the Confidential Information in the operation of any other bakery cafe or coffee shop, or other business which, in Franchisor's sole discretion, would constitute an unfair method of competition.

7.02 Use of Confidential Information. Franchisee acknowledges and agrees that the Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to Franchisee solely on the express condition that Franchisee agrees, and Franchisee does hereby agree, that Franchisee:

(a) shall not use the Confidential Information in the operation of any other restaurant, or other business, including any other bakery, coffee shop or restaurant engaged in the sale or preparation of bakery items and/or coffee or tea based drinks;

(b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(c) shall not make any unauthorized copy, duplicate, record, or otherwise reproduce all or any portion of the Confidential Information disclosed in written form;

(d) shall never contest the validity of Franchisor's exclusive ownership of and rights to the System or the Confidential Information; and

(e) shall adopt and implement all reasonable procedures prescribed from time-to-time by Franchisor to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosure to employees, officers, and directors of the Franchisee and the use of non-disclosure and non-competition clauses as prescribed by Franchisor in employment agreements with any of Franchisee's employees who have access to the Confidential Information.

7.03 Exception to Restrictions on Confidential Information. Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Franchisee's disclosure and use of the Confidential Information shall not apply to the following:

(a) information, processes, or techniques which are or become generally known and used in the bakery cafe industry, other than through disclosure (whether deliberate or inadvertent) by Franchisee;

(b) disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided Franchisee shall have used its best efforts, and shall have afforded Franchisor the opportunity to obtain an appropriate protective order, or other assurance satisfactory to Franchisor, of confidential treatment for the information required to be so disclosed; and

(c) disclosure to Franchisee's employees to the extent necessary for the proper operation of the Franchised Restaurant.

7.04 Non-Competition Covenant. Franchisee acknowledges and agrees that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure and Franchisor would also be unable to encourage a free exchange of ideas and information among operators of Franchised Restaurants if Franchisee or the owners of Franchisee were permitted to hold interests in any competitive businesses, as described in this Agreement. Franchisee also acknowledges that Franchisor has granted the franchise rights to Franchisee in part in consideration of, and in reliance upon, Franchisee's agreement to deal exclusively with Franchisor. Accordingly, Franchisee, any shareholder, member or partner (in the event Franchisee is a corporation, limited liability company or partnership), or any spouse or unemancipated child of Franchisee or any shareholder, member or partner of Franchisee, shall not have any interest as an owner, investor, partner, lender, lessor, director, officer, manager, employee, consultant, representative, or agent, or in any other capacity shall not directly or indirectly enter into the employ, or work in concert with or serve as consultant for, any person, partnership, corporation, association, organization or other entity engaged in the operation of a bakery or coffee shop and/or in the production or manufacturing of baked goods or any other restaurant engaged in the sale or preparation of bakery items and/or coffee or tea based drinks and/or other food items or services similar to the principal food or drink items or services then approved by Franchisor for use in the Franchised Restaurants then in operation in the System and located (a) anywhere during the term of this Agreement and any extension thereof or (b) following expiration or termination of this Agreement within the Exclusive Area or within a radius of ten (10) miles from any Franchisor-owned or affiliate-owned restaurant or any franchise concept owned, operated, licensed or franchised by Franchisor, or any concept which, in Franchisor's sole discretion, is similar to any franchise concept owned, operated, licensed, or franchised by Franchisor, wherever situated and operated by whomsoever, then open or under construction or under lease or purchase commitment, for a period of three (3) years after such expiration or termination. Neither the ownership of a class of securities listed on a stock exchange or traded on the over-the-counter market that represents five percent (5%) or less of the number of shares of such class of securities then issued and outstanding shall constitute a violation of this Section 7.04. Franchisor and Franchisee agree that the Non-Compete Covenant shall not apply to any business or restaurant owned by Franchisee prior to Franchisee's entry into this Agreement.

7.05 Improper Disclosure. In the event Franchisee discovers that any of its current or former officers, directors, members, partners, Restaurant Managers, shareholders or related parties thereto are violating, have violated, or are commencing to violate the prohibitions on disclosure or reproduction of Confidential Information provided for in this Agreement, Franchisee shall immediately notify Franchisor of such violation. Franchisor shall seek such legal and equitable relief, including seeking monetary damages, as it deems necessary in its sole discretion. Any and all damages recovered by Franchisor pursuant to any such cause of action shall be the exclusive property of Franchisor. In the event it is determined that any of such damages have been caused by the willful or negligent behavior of Franchisee or due to the failure of Franchisee to properly supervise the actions of the individual found to be in violation of this Agreement, Franchisor shall be reimbursed by Franchisee for all costs and expenses, including attorneys' fees, that were incurred by Franchisor in pursuing such cause of action, whether or not such action results in a favorable judgment to Franchisor.

7.06 Ownership of Business Records. Franchisee acknowledges and agrees that the Franchisor shall at all times have unrestricted access to all business records ("**Business Records**") with respect to customers, and other service professionals of, and/or related to, the Franchised Restaurant including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee, and that at the expiration or earlier termination of this Franchise Agreement, all Business Records shall become the sole property of Franchisor. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion.

8. RESTAURANT IMAGE AND OPERATING STANDARDS

8.01 Condition and Appearance of the Franchised Restaurant. Franchisee shall:

(a) not use the Franchised Restaurant or the Premises for any purpose other than the operation of a Franchised Restaurant operated in compliance with this Agreement;

(b) maintain the condition and appearance of the Franchised Restaurant and the Premises in accordance with the standards of Franchisor and consistent with the image of a Franchised Restaurant as a clean, sanitary, attractive, and efficiently operated restaurant offering high quality food and beverages and courteous and helpful service;

(c) affect such maintenance of the Franchised Restaurant and the Premises as is required by Franchisor from time-to-time to maintain the condition, appearance and efficient operation thereof, including without limitation:

(i) continuous and thorough cleaning and sanitation of the interior and exterior of the Premises;

(ii) continuous and workmanlike interior and exterior repair of the Premises;

(iii) maintenance of equipment at peak efficiency;

(iv) replacement of worn out or obsolete improvements, fixtures, furniture, furnishings, equipment, signs and Materials, with duly approved improvements, fixtures, furniture, furnishings, equipment, signs, and Materials; and

(v) periodic painting and redecorating.

(d) upgrade and/or remodel the Franchised Restaurant at its sole cost and expense, which may not be limited in any way, provided Franchisee will have a reasonable time period remaining under the term of this Agreement to amortize the costs of such improvements, at reasonable intervals determined by Franchisor to reflect changes in the image, design, format, or operation of Franchised Restaurants introduced by Franchisor, and required of new Franchised Restaurant franchisees, subject to approval by the Franchisor of detailed plans and specifications for all construction, repair, or refixturing in connection with such upgrading or remodeling; and

(e) place or display at the Premises (interior or exterior) only such signs, emblems, lettering, logos, and display any advertising materials that are from time-to-time approved in writing by Franchisor.

Notwithstanding anything to the contrary in this Section 8.01, Franchisee, at its sole cost and expense, shall upgrade the Franchised Restaurant every five (5) years and remodel the Franchised Restaurant every ten (10) years during the term of this Agreement subject to approval by the Franchisor of detailed plans and specifications for all construction, repair, or refixturing in connection with such upgrading or remodeling.

8.02 Alterations to the Premises by Franchisor. In the event Franchisee does not maintain the condition and appearance of the Franchised Restaurant and Premises as required under the terms of this Agreement, Franchisor may, upon not less than twenty (20) days written notice to Franchisee:

(a) arrange for the necessary cleaning or sanitation, repair, remodeling, upgrading, painting, or decorating; and

(b) replace the necessary leasehold improvements, fixtures, equipment, and signs.

Franchisee shall reimburse Franchisor for the entire costs incurred by Franchisor to make such alternations to the Premises as determined by Franchisor in Franchisor's reasonable discretion, upon demand by Franchisor.

8.03 Alterations to the Premises by Franchisee. Franchisee shall not make any material replacements of or alterations to the Premises, improvements, layout, fixtures, furniture and furnishings, signs, equipment, Materials, or appearance of the Franchised Restaurant as originally developed without prior written approval by Franchisor. Franchisee shall not install or have installed any vending machines, video games, or similar devices without the prior written approval of Franchisor.

8.04 Approved Products, Distributors and Suppliers. The reputation and goodwill of Franchised Restaurants is based upon, and can be maintained only by, the sale of distinctive, high quality food products and beverages and the presentation and packaging of such products in an attractive manner. Franchisee therefore will conform the Franchised Restaurant to Franchisor's specifications and quality standards and shall only purchase from distributors and suppliers approved by Franchisor, all food products, beverages, ingredients and flavorings used in the preparation of food products and beverages; menus, containers, cartons, bags, boxes, napkins, other paper and plastic goods, packaging supplies, and other materials and Materials.

In approving distributors and suppliers for the Franchised Restaurant, Franchisor may take into consideration such factors as price of products or supplies and reliability of the proposed distributor or other supplier. Franchisor may concentrate purchases with one (1) or more distributor and/or other supplier to

obtain the lowest prices and/or the best advertising support and/or services for any group of company-operated restaurants or Franchised Restaurants. Approval of a distributor or supplier may be conditioned on requirements relating to the frequency of delivery, standards of service, including prompt attention to complaints, and concentration of purchases, as set forth above, and may be temporary, pending a further evaluation of such distributor or other supplier by Franchisor.

If Franchisee proposes to sell any food product or beverage, or use any ingredients, flavorings, garnishes, or containers, cartons, bags, boxes, paper or plastic goods, packaging supplies or other materials, or Materials of any type, or to purchase such items from a distributor or other supplier who has not been previously approved by Franchisor, Franchisee shall first notify Franchisor and submit to Franchisor such information, specifications, and samples as Franchisor requests for approval. Franchisor shall within a reasonable time determine whether such item meets its specifications and quality standards and/or whether Franchisor approves such distributor or other supplier and shall notify Franchisee whether the Franchised Restaurant is authorized to utilize or sell such item and/or purchase from such distributor or other supplier. Franchisor may charge Franchisee a fee for evaluating such items for sale or such distributor or other supplier including, without limitation, administrative fee, lab sampling fee, background check fee and attorney's fee.

Franchisee acknowledges and agrees that Franchisor's affiliates may be the sole approved suppliers for certain items.

8.05 Franchised Restaurant Menu. Franchisee shall continuously offer all food items and beverages listed in the menu approved by Franchisor and shall comply with all menu cycle procedures prescribed by Franchisor. In addition, Franchisee shall satisfy all federal, state, and local requirements regarding nutritional content and information, food safety, menu labeling, and mandatory gratuities. If Franchisee desires to add items to or delete items from the Franchised Restaurant's menu, it must first obtain the prior written approval of Franchisor. Franchisee acknowledges that Franchisor requires such approval of new items to assure itself that such items are of the type and quality approved for Franchised Restaurants and are consistent with the image and format of the Franchised Restaurants. Franchisee agrees that it will not, without the prior written approval of Franchisor, offer any food products or beverages or any services that are not then authorized by Franchisor for Franchised Restaurants.

8.06 Specifications, Standards and Procedures. Franchisee acknowledges that each and every detail of the appearance, layout, decor, food products, beverages, utensils, materials, and supplies utilized, services offered, and operation of the Franchised Restaurant is important to Franchisor's and other franchisees' Franchised Restaurants. Franchisor shall endeavor to maintain the high standards of quality and service by all Franchised Restaurants franchised or operated by Franchisee. To this end, Franchisee shall cooperate with Franchisor by maintaining these high standards in the operation of the Franchised Restaurant. Franchisor shall have the right to rely on responses of independent Mystery Shoppers in evaluating Franchisee's performance under this Agreement. Franchisee agrees to comply with all mandatory specifications, standards and operating procedures relating to:

- (a) type, quality, purity, taste, portions, weight and/or dimensions, ingredients, uniformity, and manner of preparation and sale of food products and beverages sold by the Franchised Restaurant;

- (b) appearance, cleanliness, sanitation, standards of service, and operation of the Franchised Restaurant;

- (c) submission of requests for approval of food products, beverages, Materials, supplies, distributors and suppliers;

- (d) hours and days during which the Franchised Restaurant will be open for business; and
- (e) customer evaluation forms.

Further, all mandatory specifications, standards, and operating procedures prescribed from time-to-time by Franchisor in the Manual, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. Accordingly, all references in this Agreement to Franchisee's obligations under this Agreement shall include all such mandatory specifications, standards, and operating procedures. Franchisor reserves the right to contact any or all of Franchisee's customers, employees, suppliers, distributors, and other service professionals for quality control, market research, and such other purposes as Franchisor deems appropriate, in Franchisor's sole discretion.

8.07 Hours and Days of Business. Unless otherwise agreed upon by Franchisor and Franchisee, Franchisee agrees to operate the Franchised Restaurant for a minimum of three hundred sixty (360) days each calendar year, except such days as the location is closed for bad weather, civil disorders, acts of God, repairs and casualty loss or loss by eminent domain, as provided in Section 18. Each day the Franchised Restaurant is open for business, Franchisee shall conduct business and serve food and beverage during such hours as may be specified by Franchisor from time-to-time, which shall be no less than twelve (12) hours each day, during the term hereof, subject to the limitations of applicable local law.

8.08 Compliance with Laws and Good Business Practices. Franchisee shall secure and maintain in force in its name all required business licenses, permits, and certificates relating to the operation of the Franchised Restaurant. Franchisee shall operate the Franchised Restaurant in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, all government regulations relating to zoning, access, variances, occupational hazards, health and safety, sign and fire requirements, workers' compensation insurance, unemployment insurance and the withholding and payment of federal and state income taxes, social security taxes and sales taxes. All marketing by Franchisee shall be completely factual, in good taste as determined in the business judgment of Franchisor, and shall conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its customers, suppliers, Franchisor and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the business of Franchisor and the goodwill associated with the Proprietary Marks and other company-owned and franchisee-owned restaurants. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee or the Franchised Restaurant or of any notice of violation of any law, ordinance, or regulation relating to health, sanitation at the Franchised Restaurant.

8.09 Hiring, Training and Appearance of Employees. Franchisee shall hire all employees of the Franchised Restaurant, be exclusively responsible for the terms of their employment and compensation and, except as set forth in Section 3, for the proper training of such employees in the operation of the Franchised Restaurant. Franchisee shall require all employees to maintain a neat and clean appearance and to conform to the standards of dress and uniforms specified by Franchisor from time-to-time for the Franchised Restaurants.

8.10 Insurance. During the term of the Franchised Restaurant, Franchisee shall maintain in force under policies of insurance issued by carriers approved by Franchisor:

- (a) comprehensive public and product liability insurance against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the

operation of the Franchised Restaurant or otherwise in conjunction with the conduct of business by Franchisee pursuant to the Franchise;

(b) broad form fire and extended coverage, vandalism, and malicious mischief insurance on the Franchised Restaurant and its contents, including business interruption coverage which provides for payment of lost royalties to Franchisor;

(c) workers' compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state or locality in which the Premises are located;

(d) automobile liability insurance, where applicable; and

(e) such other amounts as set forth periodically in the Manual.

Such insurance coverage shall be maintained in such amounts as Franchisor determines periodically to be necessary in its business judgment and as set forth in the Manual. Franchisor may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Such insurance policies shall insure Franchisee and Franchisor and shall provide for thirty (30) days prior written notice to Franchisor of any material modification, cancellation, or expiration of a policy. In the event Franchisee fails to procure and maintain business interruption coverage and a casualty loss occurs which requires the closing of the Franchised Restaurant, then Franchisee shall pay as liquidated damages for each month commencing with the month when the casualty occurs and continuing until the Franchised Restaurant reopens, a sum equal to the average monthly Continuing Royalties payable by Franchisee for the twelve (12) months immediately preceding the occurrence of such casualty; it being understood that if the Franchised Restaurant has been open for business for less than twelve (12) months, then the average shall be based upon the actual number of months that the Franchised Restaurant has been open prior to the occurrence of the casualty. It is acknowledged and agreed that damages in such event would be difficult or impossible to ascertain, though great and irreparable, and that the provisions contained in this Section 8.10 constitute a reasonable compromise between the parties for purposes of compensating Franchisor for its loss.

In connection with any construction, renovation, refurbishing, or remodeling of the Franchised Restaurant, Franchisee shall cause the general contractor to maintain with a reputable insurer (i) comprehensive general liability insurance (with comprehensive automobile liability coverage for vehicles used by the franchised business for both owned and non-owned vehicles, builder's risk, product liability, completed operations and independent contractors coverage) in such amounts as Franchisor determines periodically to be necessary and with Franchisor named as an additional insured, (ii) workers' compensation insurance, (iii) employer's liability insurance, as well as (iv) such other insurance as may be required by law.

If Franchisee fails or refuses to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may obtain such insurance coverage on behalf of Franchisee and Franchisee shall fully cooperate with Franchisor in its efforts to obtain and maintain such insurance policies, promptly execute all forms or instruments required to obtain any such insurance, allow any inspections of the Franchised Restaurant which are required to obtain or maintain such insurance and pay to Franchisor, on demand, any costs and premiums incurred by Franchisor therefor.

Franchisee's obligations to maintain insurance coverage as described in this Agreement shall not be affected in any manner by reason of any separate insurance maintained by Franchisor, nor shall the maintenance of such insurance relieve Franchisee of any obligations under Section 5 of this Agreement.

8.11 Franchisee Modifications or Additions. All right, title and interest in and to all materials, including but not limited to, all artwork and designs, created by Franchisor, and used with the Proprietary Marks or in association with the Franchised Restaurant ("**Copyright Works**") are the property of the Franchisor. Additionally, all Copyright Works and any and all modifications or additions to the Franchised Restaurant concept developed or created by Franchisee or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the property of the Franchisor, who shall be entitled to use and license others to use the Copyright Works unencumbered by moral rights. To the extent the Copyright Works are not works made for hire or rights in the Copyright Works do not automatically accrue to the Franchisor, Franchisee irrevocably assigns and agrees to assign to the Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Copyright Works, which the Franchisee and the author of such Copyright Works warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyright Works from another person or entity necessary to ensure Franchisor's right in the Copyright Works as required in this Section 8.11. Franchisee's rights and obligations toward the use of such modifications or additions shall be limited to its rights and obligations regarding Confidential Information as provided for in Section 7 of this Agreement.

8.12 Computerized Point-of-Sale System. The Franchisee must purchase and maintain the computer hardware required by the Franchisor for operation of the Franchised Restaurant, including computer(s), Internet connection(s), cash drawer(s), receipt printer and report printer. In addition, the Franchisee shall purchase from Franchisor's required source the Franchisor's proprietary or preferred computer software for operation of the point-of-sale system and be responsible for paying all expenses associated with the required maintenance and upgrades associated with such software during the Term and any Interim Period or Successor Term. The Franchisor shall have unlimited access to the data generated by the Franchisee's computerized point of sale system and will poll via the Internet all of its franchisees' computer systems in order to compile sales data, consumer trends, food and labor costs, and other such financial and marketing information as it may deem appropriate. The Franchisor may distribute this data on a confidential basis to its franchisees, and Franchisor has the right to utilize such information in summary form for purposes of preparing earnings claims or for any other reasonable purpose in support of the System. The Franchisee must purchase and pay for upgrades or new software as required by the Franchisor from time to time in Franchisor's sole discretion, and Franchisee acknowledges and agrees that the costs and expenses for such upgrades and software will not be limited or subsidized by Franchisor in any way.

8.13 Franchisee's Control Over Employees. The Franchisee acknowledges and agrees that Franchisor neither dictates nor controls labor or employment matters for Franchisee and Franchisee employees, including, but not limited to those matters related to (a) wages, benefits, and other compensation; (b) hours of work and scheduling; (c) the assignment of duties to be performed; (d) the supervision of the performance of duties; (e) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (f) the tenure of employment, including hiring and discharge; (g) working conditions related to the safety and health of employees; and (h) the manner and means by which they carry out their duties. Nothing contained in this Agreement shall be construed or interpreted so that (i) any of Franchisee's employees becomes or is deemed to be an employee or agent of Franchisor or (ii) Franchisor has any direct or indirect control over, or any direct or indirect authority to control, Franchisee's employees. Franchisee further acknowledges and agrees that any personnel-related policies or procedures in the Manual or other written information from Franchisor are for Franchisee's optional use and are not mandatory provisions. It is Franchisee's sole responsibility to

determine to what extent, if any, any such policies and procedures described in the Manual or otherwise might be applicable to operations at Franchisee's Restaurant. Franchisor and Franchisee agree that neither is, nor will be deemed to be, a joint employer with the other.

8.14 Franchisee's Failure to Comply. In the event Franchisee fails to comply with any mandatory specification, standard, or operating procedure prescribed by Franchisor as set forth in this Section 8, Franchisee shall pay to Franchisor, as liquidated damages, the amount of Three Hundred Dollars (\$300) per day until such time as Franchisee is in full compliance with such specification, standard, or operating procedure. Franchisor and Franchisee acknowledge and agree that damages in such event would be difficult or impossible to ascertain, and that this provision constitutes a reasonable compromise between the parties for purposes of compensating Franchisor for the harm to the System and the Proprietary Marks.

9. MARKETING

9.01 By Franchisor. Recognizing Franchisor's efforts in marketing the goodwill and public image of the Franchised Restaurants, Franchisee shall pay to Franchisor each calendar week during the term of this Agreement a fee in the amount of the one (1) percent (1%) of the Gross Sales, which amount is derived from the operation of the Franchised Restaurant for the then preceding calendar week (the "**Marketing Fee**"). The Marketing Fee shall be payable weekly at the same time Franchisee pays the Continuing Royalties due hereunder for such marketing (including advertising, promotion, public relations and other marketing programs) as Franchisor may deem necessary or appropriate, in its sole discretion. Franchisor shall have the right to increase the Marketing Fee; provided, however, Franchisor will not increase the Marketing Fee more than one-half percent (0.5%) of the Gross Sales each calendar year, and the maximum Marketing Fee will be two (2) percent (2%) of the Gross Sales. While Franchisor may from time-to-time solicit the input of ideas from franchisees, Franchisor shall nevertheless retain sole discretion over the creative concepts, materials, and endorsements used therein, and the geographic, market, and media placement and allocation thereof. Franchisee agrees that the Marketing Fee may be used to pay the costs of conducting marketing surveys and research; employing public relations firms; preparing and producing video, audio, and written marketing materials; administering multi-regional marketing programs, including, without limitation, purchasing online, television, radio, magazine, billboard, newspaper, and other media advertising, and employing advertising agencies to assist therewith; providing marketing materials to System franchisees; and paying for travel costs associated with any ad hoc marketing advisory meetings. Franchisee understands and acknowledges that the Marketing Fee is intended to maximize general public recognition of the Proprietary Marks and patronage of Franchised Restaurants for the benefit of all Franchised Restaurants. Franchisor undertakes no obligation to ensure that expenditures by the Marketing Fee in or affecting any geographic area are proportionate or equivalent to the Marketing Fee paid by Franchised Restaurants operating in any geographic area or that any Franchised Restaurant will benefit directly from the conduct of marketing programs or the placement of advertising.

9.02 By Franchisee. Franchisee agrees to spend annually for local media marketing of the Franchised Restaurant such amounts as Franchisor requires. Franchisee shall submit annually, in form satisfactory to Franchisor, verification of its local marketing expenditures. Prior to their use by Franchisee, samples of all marketing materials (including any materials that are to be posted on an approved web page or other social media site) not prepared or previously approved by Franchisor shall be submitted to Franchisor for approval. If written disapproval is not received by Franchisee within fifteen (15) days from the date of receipt by Franchisor of such materials, Franchisor shall be deemed to have disapproved the materials. Franchisee shall not use any marketing materials that Franchisor has disapproved. Franchisee agrees to participate in and strictly comply with all marketing and sales promotion programs or initiatives that Franchisor may implement from time to time. These programs and initiatives may require Franchisee,

at Franchisee's expense, to purchase additional materials, promotional items, hardware and/or software or to subscribe to certain services.

9.03 Social Media. Franchisee acknowledges that the use of any social networking websites or webpages, including but not limited to Facebook, Instagram, WeChat, Weibo, YouTube, LinkedIn, and Twitter, which exploits, utilizes, displays, or otherwise makes use of any of the Proprietary Marks or Franchisor's intellectual property ("**Social Media Sites**") is Franchisor's sole property, and Franchisee shall promptly submit to Franchisor all passwords for such Social Media Site(s) and any changes to a password shall be submitted to Franchisor within three (3) days of the change. Franchisor shall be granted full access to any Social Media Sites. Franchisee shall have no right, title or interest to any webpage on any of Franchisee's Social Media Sites including, but not limited to, all "fans", "followers", "friends" and "contacts" associated therewith which mentions, uses or refers in any way to the Proprietary Marks or Franchisor's intellectual property even if such webpage is established by Franchisee or otherwise held in Franchisee's name or by any guarantor. Franchisee may not establish any Social Media Sites without Franchisor's prior written consent. To the extent Franchisor approves, Franchisee acknowledges it is responsible for paying all expenses associated with such Social Media Sites.

Upon expiration, transfer or termination of this Agreement, Franchisee shall immediately take whatever steps are necessary to cancel or dismantle any such social networking account or webpage or transfer the account or webpage and all related information, including all "fans", "followers", "friends" and "contacts" associated with such accounts or webpages, to Franchisor or as Franchisor may otherwise direct. Franchisor reserves the right to hyperlink any Social Media Sites used by Franchisee to any other Internet site related to the System that Franchisor designates. Franchisor also reserves the rights to modify or use any of the content on such Social Media Sites and to authorize third parties to modify or use any of the content on such Social Media Sites, subject to the requirements of the social network service that hosts the applicable Social Media Sites, without payment of any compensation to Franchisee. Franchisee must keep Franchisor advised at all times of the addresses and domain names of any Social Media Sites used by Franchisee. Franchisee acknowledges and agrees that Franchisor has sole ownership of all domain names related to the Social Media Sites used by Franchisee, subject to the requirements of the social network service that hosts the applicable Social Media Sites.

9.04 Gift Card, Certificates and Customer Loyalty Programs. Franchisee agrees not to implement any gift card, gift certificate, customer loyalty or similar rewards program for the Franchised Restaurant without Franchisor's prior written approval or as may be authorized in any Manual or through other written communication to franchisees. Franchisor can condition any such consent upon Franchisee's compliance with or inclusion of particular program terms or practices designed to protect the good will associated with the Proprietary Marks. Franchisee agrees to accept credit cards, debit cards, and such other means of payment; to sell and accept Franchisor approved gift cards, gift certificates, and other comparable items, as provided or designated by Franchisor or which are prepared using any standard form Franchisor prescribes; and to abide by the terms of any gift card or gift certificate or loyalty program Franchisor specifies, all as provided in any Manual or through other written communication to franchisees and at Franchisee's expense, including without limitation all policies and procedures relating to sales, issuance and redemption and payment of related fees and costs. Franchisee agrees to honor gift cards in the form Franchisor provides or approves, if any, regardless of whether issued directly or indirectly by Franchisee, Franchisor or another franchised restaurant, and to timely make any payments due to Franchisor or a designee for gift cards sold by Franchisee and to comply with processes for requests for reimbursement for goods and services sold in exchange for gift cards. Franchisee agrees to purchase or lease, install and use all equipment components and software that meet any standards and specifications Franchisor establishes and which allow Franchisee to accept and process any such gift/loyalty cards, certificates or programs as Franchisor may require. Franchisee shall give Franchisor independent access to related system information.

10. ACCOUNTING, REPORTS, AND FINANCIAL STATEMENTS

Franchisee shall establish and maintain at its own expense a bookkeeping, accounting, and record keeping system conforming to the requirements prescribed by Franchisor from time-to-time, including, without limitation, the preparation and retention of books and records and the use of cash registers and a computerized accounting systems capable of transmitting data by Franchisee to Franchisor or systems capable of being electronically audited or polled by Franchisor (and Franchisee hereby expressly grants Franchisor the right to electronically audit or poll the same). With respect to the operation and financial condition of the Franchised Restaurant, Franchisee shall furnish to Franchisor in the form and media prescribed by Franchisor the following:

10.01 Gross Sales. By the Wednesday following each calendar week, a report of the Gross Sales of the Franchised Restaurant for the preceding calendar week;

10.02 Monthly Profit and Loss Statement and Balance Sheet. By the fifteenth (15th) day of each month, a profit and loss statement for the preceding calendar month and a year-to-date profit and loss statement and balance sheet in comparative format, along with any other supporting documentation requested by the Franchisor;

10.03 Annual Profit and Loss Statement and Balance Sheet. Within ninety (90) days after the end of Franchisee's fiscal year, a balance sheet and an annual profit and loss statement reflecting all year-end adjustments for the Franchised Restaurant, along with any other supporting documentation requested by the Franchisor;

10.04 State Sales Tax Returns. Upon request, within thirty (30) days of their filing, exact copies of all state sales tax returns, and state financial reports;

10.05 Federal and State Income Tax Returns. Upon request, such portions of Franchisee's federal and state income tax returns which reflect the operation of the Franchised Restaurant; and

10.06 Other Information. Such other data, information, and supporting records as and when Franchisor from time-to-time requires.

Each such report and financial statement shall be verified and signed by Franchisee in the manner prescribed by Franchisor. Franchisor reserves the right to require Franchisee to have annual financial statements prepared or reviewed by certified public accountants reasonably acceptable to Franchisor. The Franchisor may distribute this financial data, as detailed in this Section 10, on a confidential basis to its franchisees, and Franchisor has the right to utilize such information in summary form for purposes of preparing earnings claims or for any other reasonable purpose in support of the System.

11. ANNUAL REVIEWS, INSPECTIONS, AND AUDITS

11.01 Annual Review. At the discretion of Franchisor, once each calendar year, at a time designated by Franchisor, Franchisee and its Restaurant Managers shall be obligated to meet with representatives of Franchisor at a location specified by Franchisee, for the purpose of discussing and reviewing the Franchised Restaurant's operations, status, and financial performance.

11.02 Franchisor's Right to Inspect the Franchised Restaurant. To determine whether Franchisee and the Franchised Restaurant are complying with this Agreement, and with all specifications, standards, and operating procedures prescribed by Franchisor for the operation of the Franchised Restaurant,

Franchisor or its designated agents shall have the right at any reasonable time and without prior notice to Franchisee to:

- (a) inspect the Premises;
- (b) observe Franchisee, the Restaurant Managers and other employees of the Franchised Restaurant;
- (c) interview the Restaurant Managers and other employees of the Franchised Restaurant;
and
- (d) interview or otherwise communicate with customers of the Franchised Restaurant. Franchisee shall present to its customers such customer evaluation forms as are periodically prescribed by Franchisor and shall participate and/or request that its customers participate in all marketing surveys performed by or on behalf of Franchisor.

11.03 Franchisor's Right to Audit. Franchisor shall, in addition to the right to electronically audit or poll Franchisee's cash registers, and bookkeeping, accounting and record keeping systems as provided under Section 10, have the right at any time during business hours, and without prior notice to Franchisee, to inspect and audit or cause to be inspected and audited and to copy, the Business Records, bookkeeping and accounting records, sales and income tax records and returns which relate to the operation of the Franchised Restaurant, and other records of the Franchised Restaurant and the books and records of any corporation or partnership which holds the Franchised Restaurant. Franchisee shall fully cooperate with representatives of Franchisor and independent accountants hired by Franchisor to conduct any such inspection or audit. In the event any such inspection or audit shall disclose an understatement of the Gross Sales of the Franchised Restaurant, Franchisee shall pay to Franchisor within fifteen (15) days after receipt of the inspection or audit report, the Continuing Royalties and/or Marketing Fee due on the amount of such understatement, plus interest, at the rate and on the terms provided in Section 6.06, from the date originally due until the date of payment. Further, in the event such inspection or audit is made necessary by the failure of Franchisee to furnish reports, supporting records or other information, as required in this Agreement, or to furnish such reports, records or information on a timely basis, or if an understatement of Gross Sales for the period of any audit, which shall not be for less than four (4) weeks, is determined by any such audit or inspection to be greater than one percent (1%), Franchisee shall reimburse Franchisor for the cost of such audit or inspection, including, without limitation, the charges of any independent accountants and the travel expenses, room and board and compensation of employees and/or agents of Franchisor. If it is determined by such audit or inspection that the understatement of Gross Sales to be greater than two percent (2%), this shall constitute grounds for termination of this Agreement, as provided in Section 15, in addition to the foregoing right to reimbursement. The foregoing remedies shall be in addition to and not in lieu of all other remedies and rights of Franchisor hereunder or under applicable law.

11.04 Reinspection and Compliance Audit. If Franchisor conducts a reinspection or compliance audit as a result of Franchisee's failure to comply with System standards, Franchisee shall pay Franchisor its then-current compliance audit fee (currently Three Hundred Sixty Dollars (\$360) per day), plus costs of travel, lodging, and other out-of-pocket expenses for Franchisor's personnel conducting the reinspection.

12. TRANSFER

12.01 By Franchisor. This Agreement and the Franchise are fully transferable by Franchisor, shall inure to the benefit of any transferee or other legal successor to the interest of Franchisor, and Franchisor shall be released from any further liability to Franchisee under this Agreement upon completion of such transfer.

12.02 Franchisee May Not Transfer Without Approval of Franchisor. Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee or its owner and that Franchisor has granted development rights to Franchisee in reliance upon the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee or its owner. Any Franchised Restaurant (or any interest therein) developed pursuant to this Agreement, or any Franchised Restaurant (or any interest therein) granted pursuant to this Agreement, may not be transferred without the prior written approval of Franchisor, and any such transfer without such approval shall constitute a breach hereof and convey no rights to or interests in this Agreement, Franchisee, the Franchise, or the Franchised Restaurant.

12.03 Definition of “Transfer.” As used in this Agreement, the term “**transfer**” shall mean and include the voluntary, involuntary, direct or indirect assignment, sale or other transfer by Franchisee or its owner of any interest in this Agreement, any part or all of the ownership of Franchisee, any Franchised Restaurant or any interest in any Franchised Restaurant developed pursuant to this Agreement, or the Franchise or any interest therein granted pursuant to this Agreement, including, without limitation:

(a) the transfer of ownership of capital stock or partnership or limited liability company membership interest;

(b) merger or consolidation, or issuance of additional securities representing an ownership interest in Franchisee;

(c) sale of common stock or other securities of Franchisee sold pursuant to a private placement or registered public offering;

(d) transfer of interest in Franchisee, the Franchise granted pursuant hereto, or the Franchised Restaurant operated pursuant hereto, in a divorce proceeding or otherwise by operation of law; or

(e) transfer of an interest in Franchisee, the Franchise granted pursuant hereto, or the Franchised Restaurant operated pursuant hereto, in the event of the death of Franchisee or an owner of Franchisee by will, declaration of or transfer in trust, or under the laws of intestate succession.

12.04 Conditions for Approval of Transfer. If Franchisee and its owners are in full compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of a transfer that meets all the applicable requirements of this Section 12.04. The proposed transferee and any associated entity or entities and their respective owners must be of good moral character and otherwise meet Franchisor’s then applicable standards for franchisees. A transfer of ownership in the Franchise may only be made in conjunction with a transfer of this Agreement. If the transfer is of a controlling interest in Franchisee, or is one of a series of transfers which in the aggregate constitute the transfer of a controlling interest in Franchisee, as a bare minimum, and without in any way limiting its discretion, Franchisor may require prior to its consent that all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

(a) the transferee must have sufficient business experience, aptitude, and financial resources to develop the Premises and operate the Franchised Restaurant in Franchisor’s reasonable judgment;

(b) Franchisee must pay such Continuing Royalties, Sales Tax, Marketing Fee and other marketing obligations, termination payments, amounts owed for purchases by Franchisee from

Franchisor and its affiliates, and any other amounts of whatever nature owed to Franchisor or its affiliates which are then due and unpaid;

(c) the transferee or its designated operations managers and all new Restaurant Managers as specified in Section 3 of the Franchise Agreement must have successfully completed Franchisor's training program;

(d) the lessor of the Premises must have consented in writing to the assignment or sublease of the Premises to the transferee;

(e) the transferee shall execute and be bound to the terms and conditions of Franchisor's franchise agreement then being offered to prospective franchisees of Franchisor (except that the transferee shall not be obligated to pay the Initial Franchise Fee and the term of such franchise agreement to-be-executed by the transferee shall expire on the stated expiration date of this Agreement);

(f) Franchisee or the transferee shall pay the transfer fee ("**Transfer Fee**") that is fifty percent (50%) of the Initial Franchise Fee set forth in the then standard form of Franchise Agreement;

(g) Franchisee and its owner(s) must execute a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor, its officers, directors, employees and agents;

(h) Franchisor must approve the material terms and conditions of such transfer, including, without limitation, a determination in Franchisor's reasonable discretion that the price and terms of payment are not so burdensome as to adversely affect the future development and operations of the Premises by the transferee;

(i) Franchisee and its transferring owner(s) must execute a non-competition covenant in favor of Franchisor and the transferee agreeing that for a period of not less than three (3) years, commencing on the effective date of the transfer, it and they in accordance with the provisions of Section 7.04 shall not have any interest as an owner, investor, lender, partner, director, officer, manager, employee, consultant, representative, or agent, or in any other capacity, in any bakery or coffee shop, any entity engaged in the production or manufacturing of baked goods or any other restaurant engaged in the sale or preparation of bakery items and/or coffee or tea based drinks and/or other food items or services similar to the principal food or drink items or services then approved for use in the Franchised Restaurants then in operation in the System;

(j) Franchisee and its owner(s) must enter into an agreement with Franchisor providing that all obligations of the transferee to make installment payments of the purchase price or interest thereon to Franchisee or its owner shall be subordinate to the obligations of the transferee to pay Continuing Royalties, Marketing Fee, other marketing obligations, termination payments and obligations for purchases from Franchisor or its affiliates;

(k) the transferee must agree to upgrade or remodel the Premises in accordance with the scope of work as reasonably determined by Franchisor.

12.05 Excepted Transfers. If the proposed transfer is to or among owners of Franchisee or to or among the spouse or children of Franchisee, or an owner of Franchisee, Sub-Section (f) of Section 12.04 shall not apply. If the proposed transfer is to or among owners of Franchisee or to or among the spouse or children of Franchisee, or an owner of Franchisee, then Sub-Section (e) of Section 12.04 shall not apply if

all obligations of Franchisee and its owner incurred in connection with this Agreement are assumed by such transferee(s).

12.06 Death or Disability of Franchisee. Upon the death or permanent disability of Franchisee or, if Franchisee is a corporation, limited liability company or partnership, the ultimate owner of a controlling interest in Franchisee, the executor, administrator, conservator, or other personal representative of such person shall transfer its interest in this Agreement or such interest in Franchisee to a third party approved by Franchisor. Such disposition of this Agreement or such interest in Franchisee (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability and shall be subject to all the terms and conditions applicable to transfers contained in Section 12.04. Failure to so dispose of this Agreement or such interest in Franchisee within said period of time shall constitute a breach of this Agreement.

12.07 Effect of Consent to Transfer. Franchisor's consent to a transfer of this Agreement or any interest in Franchisee subject to the restrictions of this Section 12 shall not constitute a waiver of any claims Franchisor may have against Franchisee, nor shall it be deemed a waiver of Franchisor's rights to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

12.08 Franchisor's Right of First Refusal. During the term of this Agreement or for a period of one (1) year after its termination or if Franchisee has closed the Franchised Restaurant, whether with or without the consent of Franchisor, if Franchisee or its owner shall at any time determine to sell an interest in this Agreement or any part or all of the ownership of Franchisee, any interest in the Franchise, or the Franchised Restaurant, or its owner shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser, then Franchisee shall submit an exact copy of such offer to Franchisor. Franchisor shall have the right, exercisable by written notice delivered to Franchisee or its owner within forty-five (45) days from the date of delivery of an exact copy of such offer to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer. In the event all or any portion of the consideration offered to Franchisee consists of unique assets, Franchisor shall be deemed to have matched such offer by offering cash in an amount equivalent to the market value of the unique assets tendered by the entity making such offer to Franchisee. Further, Franchisor's creditworthiness shall be deemed equal to the credit rating of any proposed purchaser. Franchisor shall have not less than ninety (90) days to prepare for closing and shall be entitled to all customary representations and warranties as set forth in ~~Exhibits D and E of the applicable Area Development Agreement previously or contemporaneously entered into between Franchisor and Franchisee, or if Franchisee executed a single Franchise Agreement, as included as an Exhibit to the Area Development Agreement included in the Franchise Disclosure Document given to Franchisee prior to Franchisee's execution of this Franchise Agreement~~ Attachment 4. If Franchisor does not exercise its right of first refusal, Franchisee or its owner may complete the sale to the proposed purchaser pursuant to and on the terms of such offer, subject to the Franchisor's approval of the purchaser as provided in Sections 12.02 and 12.04. If the sale to such purchaser is not completed within ninety (90) days after delivery of such offer to Franchisor, or there is a material change in the terms and conditions of the sale, Franchisor shall then again have the right of first refusal provided under the terms of this Agreement.

12.09 Public or Private Offerings. In the event Franchisee shall attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred capital stock, bonds, debentures, membership interests or partnership interests), Franchisee, recognizing that the literature used with respect thereto may reflect upon Franchisor, agrees to submit all such literature or prospectuses to Franchisor and to obtain the written approval of Franchisor of the method of financing prior to any offering or sale of said securities.

Each prospectus, circular, or other literature utilized in any such offering shall, at Franchisor's discretion, contain the following language in bold-face type on the first textual page:

“WinStar 85C, LLC has not passed upon the accuracy or adequacy of the statements made herein nor is it nor will it be responsible for the inaccuracy or inadequacy of such statements. WinStar 85C, LLC will not share in any of the proceeds of this offering and makes no recommendation respecting the advisability of purchasing the investment contemplated by this offering.”

Franchisee agrees to indemnify and hold Franchisor, its officers, directors, employees and agents harmless from any and all claims, demands or liabilities arising from the offer or sale of such securities, whether asserted by a purchaser of any of such securities or by a governmental agency. Franchisor shall have the right to defend any such claims.

For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12.09 commences.

13. SUCCESSOR FRANCHISE

13.01 Franchisee's Right to Successor Term. Upon expiration of the initial term of this Agreement, if:

(a) Franchisee elects to continue to maintain a Franchised Restaurant at the Premises by delivering a written notice to Franchisor a minimum of six (6) months but no more than nine (9) months before the expiration of the initial term of this Agreement;

(b) Franchisee maintains possession of and agrees to refurbish and decorate the Premises, replace fixtures, furnishings, furniture, equipment, and signs and otherwise modify the Franchised Restaurant in compliance with all specifications and standards then applicable under new or successor franchises for Franchised Restaurants; or Franchisee is unable to maintain possession of the Premises, or in the business judgment of Franchisor the Franchised Restaurant should be relocated, and Franchisee secures substitute premises approved by Franchisor and agrees to develop such substitute premises in compliance with all specifications and standards then applicable under new or successor franchises for Franchised Restaurants; and

(c) Franchisee has been in substantial compliance with all of the terms and conditions of this Agreement during the initial term and continues to be in substantial compliance up to the expiration hereof, Franchisee shall have the right to renew this Agreement for two (2) additional terms of five (5) years each (each, “**Successor Term**”) or for such other period as may be agreed to by Franchisor and Franchisee. For each Successor Term, Franchisee shall pay to Franchisor fifty percent (50%) of the Initial Franchise Fee set forth in the then standard form of Franchise Agreement.

13.02 Successor Agreements/Releases. To enter into a Successor Term, Franchisor, Franchisee and its owner shall execute the then standard form of Franchise Agreement and any ancillary agreements then customarily offered by Franchisor to prospective franchisees in the granting of franchises for the operation of Franchised Restaurants with appropriate modifications to reflect the fact that the agreement

relates to the grant of a successor franchise. Franchisee and its owners shall also execute a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor, its officers, directors, employees, and agents. Failure by Franchisee and its owner to sign such agreements and releases within sixty (60) days after delivery thereof to Franchisee shall be deemed an election by Franchisee not to enter into a successor Franchise Agreement.

13.03 Interim Period. If Franchisee does not sign a new Franchise Agreement prior to the expiration of this Agreement and continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of Franchisor, this Agreement may be treated either as (a) expired as of the date of expiration with Franchisee then operating without a Franchise to do so and in violation of Franchisor's rights; or (b) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

14. TERMINATION OF AGREEMENT BY FRANCHISEE OR CESSATION OF RESTAURANT OPERATION

Franchisee understands and acknowledges that a material inducement to the Franchisor for entering into this Agreement is Franchisee's representation that it will diligently develop the Premises and the Franchised Restaurant thereon for the full term of this Agreement and Franchisee agrees that this Agreement shall not be terminated by Franchisee without good cause. For the purposes hereof, "**terminated by Franchisee**" shall mean (a) the discontinuance of business at the Franchised Restaurant operated by Franchisee, (b) changing or threatening to change the Franchised Restaurant operated by Franchisee to a different name, format, style, or use, (c) willful disregard by Franchisee of the terms and provisions of this Agreement, or (d) transferring or threatening to transfer any of Franchisee's rights under this Agreement or to the Franchised Restaurant licensed by this Agreement and operated by Franchisee, to a person or entity not approved by the Franchisor in accordance with the provisions of Section 12.

14.01 Termination for Good Cause. Nothing in this Agreement shall be construed to prevent Franchisee from terminating this Agreement for good cause. For purposes hereof, "**good cause**" shall be deemed to mean a material breach of this Agreement by the Franchisor which is not cured within thirty (30) days after the Franchisor actually receives written notice required by this Agreement from Franchisee, or in the event such default cannot be cured within such thirty (30) day period, the Franchisor shall not have commenced to cure such default within thirty (30) days and diligently continued thereafter to attempt to cure such default. If such material breach consists of the failure by the Franchisor to provide any services or training assistance required by this Agreement, then such breach shall be deemed fully cured upon the tendering of performance by the Franchisor of such services or assistance, as Franchisor reasonably determines to be necessary in Franchisor's reasonable discretion, within thirty (30) days after receiving notice thereof, but the Franchisor shall not be under any obligation to compensate Franchisee for any lack of or deficiency in past services or assistance.

15. TERMINATION OF THE FRANCHISE

15.01 Grounds for Termination with Notice. This Agreement shall automatically terminate upon delivery of notice of termination to Franchisee, if Franchisee or its owner (or any shareholder, member or partner, if Franchisee is a corporation, limited liability company or partnership):

- (a) abandons or fails to actively operate the Franchised Restaurant;

(b) surrenders or transfers control of the operation of the Franchised Restaurant without the advanced written consent of Franchisor;

(c) has made any material misrepresentation or omission in its application for the Franchise;

(d) is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the System, the Proprietary Marks, the goodwill associated therewith, Franchisor's interest therein, or the reputation of Franchisee or the Franchised Restaurant (or any shareholder, member or partner, if Franchisee is a corporation, limited liability company or partnership and if Franchisee fails to terminate such shareholder's, member's or partner's interest in Franchisee within ninety (90) days thereof);

(e) makes a general assignment for the benefit of its creditors, applies for or consents to the appointment of a receiver, trustee, or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, has an involuntary petition in bankruptcy filed against it (which is not released within ninety (90) days), or fails to pay its debts and obligations as they mature in accordance with normal business practices;

(f) makes an unauthorized assignment or transfer of this Agreement, the Franchised Restaurant, the Premises, the Franchise, or an ownership interest in Franchisee;

(g) is a party to any other ~~Area Development Agreement, Franchise Agreement, or license agreement with Franchisor, for which Franchisor has delivered to Franchisee a notice of termination in accordance with its terms and conditions for cause~~ ~~(except for a termination of the Area Development Agreement based upon a failure to satisfy a Minimum Development Quota)~~;

(h) makes any unauthorized use of the Proprietary Marks or unauthorized use or disclosure of the Confidential Information or any portion thereof or otherwise violates the provisions of Section 4;

(i) fails or refuses to comply with any mandatory specification, standard, or operating procedure prescribed by Franchisor relating to the cleanliness or sanitation of the Franchised Restaurant, violates any health, safety, or sanitation law, ordinance, or regulation and does not correct such failure or refusal within seventy-two (72) hours after written notice thereof is delivered to Franchisee or fails to notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee or the Franchised Restaurant or of any notice of violation of any law, ordinance, or regulation relating to health or sanitation at the Franchised Restaurant;

(j) employs or attempts to employ, either directly or indirectly, any person who Franchisee knows or should have known was employed or at such time is employed by Franchisor or any other franchisee of Franchisor without first obtaining the written consent of Franchisor or such franchisee of Franchisor; or

(k) fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records; to pay when due the Continuing Royalties, Marketing Fee, or other payments due by this

Agreement to Franchisor or its affiliates; or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee.

15.02 Grounds for Termination with Notice and Opportunity to Cure. This Agreement shall terminate without further action by Franchisor or notice to Franchisee, if Franchisee or its owner:

(a) fails to accurately report the Gross Sales of the Franchised Restaurant by more than two percent (2%) or fails to remit payments of any amounts due Franchisor for Continuing Royalties, Marketing Fee, or any other amounts due to Franchisor or its affiliates by this Agreement, and does not correct such failure within ten (10) days after written notice of such failure is delivered to Franchisee; or

(b) fails to comply with any other provision of this Agreement or mandatory specification, standard, or operating procedure prescribed by Franchisor and does not:

(i) correct such failure within thirty (30) days after written notice of such failure to comply is delivered to Franchisee; (provided, however, that the Franchisee's right to cure under this Section 15.02(b) shall not toll, waive, or otherwise prevent the accrual of the daily liquidated damages for operational non-compliance as set forth in Section 8); or

(ii) if such failure cannot reasonably be corrected within thirty (30) days after written notice of such failure to comply is delivered to Franchisee, undertake efforts to bring the Franchised Restaurant into full compliance, and furnish proof acceptable to Franchisor of such efforts and the date of their expected completion, within ten (10) days after written notice is delivered to Franchisee.

15.03 Efforts to Resolve Termination Disputes Other Than by Termination. Acts of Franchisor undertaken in the course of efforts to resolve a termination dispute, or a dispute for which termination is a possible remedy, shall be deemed to have been undertaken without prejudice to the rights asserted by Franchisor and shall not constitute a waiver or relinquishment of those rights. In the event Franchisee continues to engage in franchised operations while a dispute is pending, that fact, and/or the receipt of monthly payments and the furnishing by Franchisor of information and service essential to such operations, shall not constitute a waiver or relinquishment of Franchisor's rights. Franchisor may, at its option and without waiving its right to terminate, seek any form of relief or remedy available to it under common law or statute for any breach of this Agreement including, but not limited to, the right to damages, injunctive relief, declaratory orders or specific performance.

15.04 Franchisor's Operation of the Franchised Restaurant. In order to prevent any interruption of the franchise business which would cause harm to the business of the Franchised Restaurant or System, if Franchisee is unable to operate the business for any reason whatsoever, if Franchisee abandons or fails to actively operate the Franchised Restaurant for any period, or if Franchisee fails to cure a breach within the applicable cure period (if any), Franchisee authorizes Franchisor and its agents and Affiliates to operate the Franchised Restaurant if Franchisor desires to do so, in Franchisor's sole discretion, for so long as Franchisor deems necessary and practical. All income from the operation of the business shall be kept in a separate account, and the expenses of the business, including our reasonable compensation and reimbursement of expenses, and those of Franchisor's agents and Affiliates, shall be charged to this account. Franchisor may charge Franchisee a ~~reasonable~~ management fee that Franchisor specifies equal to ten percent (10%) of the Franchised Restaurant's weekly Gross Sales, plus any out-of-pocket expenses incurred in connection with the management of the Franchised Restaurant. Franchisor and its designees will have a duty only to use reasonable efforts upon assuming the Franchised Restaurant's management and will not

be liable for any debts, losses or obligations that the Franchised Restaurant incurs, or to any creditors for any supplies or other products or services purchased for the Franchised Restaurant in connection with such management. Nothing contained herein shall be construed to require Franchisor to operate the business in the case of Franchisee's inability to operate same, and the rights set forth herein may be exercised in Franchisor's sole and absolute discretion.

16. RIGHTS AND OBLIGATIONS OF FRANCHISOR AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE

16.01 Payment of Amounts Owed to Franchisor. Franchisee shall pay to Franchisor within fifteen (15) days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to Franchisor are determined, such Continuing Royalties, Marketing Fee, amounts owed for purchases by Franchisee from Franchisor or its affiliates, interest due on any of the foregoing and all other amounts owed to Franchisor or its affiliates which are then unpaid including, without limitation, the liquidated damage in accordance with the provisions of Section 16.06.

16.02 Proprietary Marks. After the termination or expiration of this Agreement, Franchisee shall:

(a) not directly or indirectly at any time or in any manner identify itself or any business as a current or former Franchised Restaurant operator, or as a franchisee or licensee of or as otherwise associated with Franchisor (other than under other franchise agreements with Franchisor), or use any Proprietary Marks, any colorable imitation thereof, or other indicia of a Franchise in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor;

(b) remove all signs, sign faces, and return to Franchisor or destroy all marketing materials, menus, and other materials containing any Proprietary Marks or otherwise identifying or relating to a Franchise;

(c) remove all Proprietary Marks affixed to uniforms;

(d) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any of the Proprietary Marks;

(e) within five (5) days of termination or expiration of this Agreement, notify the telephone company, all listing agencies, and all Internet service providers of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with any of the Proprietary Marks and authorize transfer of same to the Franchisor or any new Franchisee as may be directed by the Franchisor. Franchisee acknowledges that as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers, directory listings, and web addresses used to promote the Franchised Restaurant and/or associated with any of the Proprietary Marks. Franchisee authorizes Franchisor, and hereby irrevocably appoints Franchisor and any officer of Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest, should Franchisee fail or refuse to do so, to execute such directions and authorizations as may be necessary or productive to accomplish the foregoing. Such appointment is evidenced by **Attachment 3**; and

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

16.03 Modification of Franchised Restaurant Design and Decor. Upon expiration of this Agreement without renewal, Franchisee shall modify the design, decor, and color scheme of the Franchised Restaurant in a manner acceptable to Franchisor so that it no longer suggests or indicates a connection with the System or any rights and privileges granted by this Agreement.

16.04 Cessation of Use of Confidential Information. Upon termination or expiration of this Agreement, Franchisee will immediately cease to use any Confidential Information disclosed to Franchisee pursuant to this Agreement in the operation of the Franchised Restaurant, any bakery or coffee shop or other restaurant engaged in the sale or preparation of bakery items and/or coffee or tea based drinks and/or other food items or services similar to the principal food or drink items or services approved by Franchisor from time-to-time for use in Franchised Restaurants, and shall continue to be obligated to refrain from disclosing or using any of the same in any bakery, coffee shop, restaurant or other similar business, or capacity and shall return to Franchisor all copies of the Manual and any other confidential materials which have been loaned to Franchisee by Franchisor.

16.05 Franchisor's Right to Purchase the Franchised Restaurant. In addition to the rights provided to Franchisor under Section 12.08 or upon termination of this Agreement under Section 14 or Section 15, Franchisor shall have the option, but not the obligation, exercisable by giving written notice thereof within thirty (30) days from the date of such termination, to purchase from Franchisee all the assets of the Franchised Restaurant operated pursuant to this Agreement. Assets shall include, without limitation, real property, inventories of saleable merchandise, Materials, supplies, leasehold improvements, fixtures, furniture, furnishings, equipment, signs, any materials containing Franchisor's Proprietary Mark and Franchisee's lease for the Premises. Franchisor shall have the option to purchase the capital stock, partnership or membership interests of Franchisee, as the case may be, instead of the assets of the Franchised Restaurant. In the event Franchisee owns the Premises, Franchisee in lieu of selling the same, at the election of Franchisor shall grant to Franchisor or its assignee standard commercial leases at fair market rental for initial terms of ten (10) years each with not less than two (2) five (5) year renewal options. Franchisor shall have the unrestricted right to assign its option to purchase to any third party of its choosing. Franchisor or its assignee shall be entitled to all customary warranties and representations in connection with its asset or stock purchase as set forth in ~~Exhibits D and E of the applicable Area Development Agreement previously or contemporaneously entered into between Franchisor and Franchisee, or if Franchisee executed a single Franchise Agreement, as included as an Exhibit to the Area Development Agreement included in the Franchise Disclosure Document given to Franchisee prior to Franchisee's execution of this Franchise Agreement~~ Attachment 4. The purchase price for the assets of the Franchised Restaurant (or the capital stock of the Franchisee) shall be determined as follows:

(a) Franchisor shall appoint one (1) qualified individual as an appraiser and Franchisee shall appoint one (1) qualified individual as an appraiser. The appraisers so appointed shall determine the fair market value of the assets of the Franchised Restaurant or the capital stock of Franchisee, as the case may be. In the event these two (2) appraisers are unable to agree upon the fair market value of such assets or capital stock, as the case may be, within thirty (30) days after their appointment, they shall select and designate one (1) additional appraiser for this purpose whose appointment and determination shall be binding upon all parties. In the event any appraiser should become unable or unwilling to serve, a substitute shall be appointed by the party originally selecting him. In the event that the two (2) appraisers first appointed shall be unable to agree upon a third appraiser, such appraiser shall be appointed by the most senior federal judge presiding at the federal district court located in Orange County, California.

(b) The purchase price may be paid, at the option of Franchisor, in cash or by such other method as may be agreed upon by Franchisor and Franchisee.

(c) The closing shall take place no later than ninety (90) days after receipt by Franchisee of Franchisor's notice of exercise of this option to purchase, at which time Franchisee shall deliver instruments transferring to Franchisor or its assignee:

(i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor or its assignee), with all sales and other transfer taxes paid by Franchisee; and

(ii) all licenses for the Franchised Restaurant, or permits which may validly be assigned or transferred.

In the event that Franchisee cannot deliver clear title to all of such purchased assets, or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished by means of an escrow. Further, Franchisee and Franchisor shall, prior to closing, comply with the applicable Bulk Sales provisions of the Uniform Commercial Code of the state where the Franchised Restaurant is located. Franchisor shall have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to Franchisor. If Franchisor exercises its option to purchase, then pending the closing of such purchase as hereinabove provided, Franchisor shall have the right to appoint Restaurant Managers to maintain the operation of such purchased Franchised Restaurant. Alternatively, Franchisor may require Franchisee to close the Franchised Restaurant during such time period without removing therefrom any assets.

16.06 Liquidated Damage. Franchisee acknowledges and agrees that if this Agreement is terminated in accordance with the provisions of Section 15 or if Franchisee terminates this Agreement without cause or otherwise abandons its Franchised Restaurant, Franchisor will incur damages, the actual amount of which would be difficult to calculate. As such, Franchisee agrees to pay Franchisor, in addition to all other amounts then owed to Franchisor under this Agreement, the agreed upon liquidated damages amount equal to the average monthly Continuing Royalties and Marketing Fee Franchisee owed during the twelve (12) months of operation preceding the effective date of termination or abandonment multiplied by the lesser of (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower. Franchisor and Franchisee acknowledge and agree that this liquidated damages provision to be reasonable and good faith estimate of those damages and not a penalty or punitive in nature. The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Continuing Royalties and Marketing Fee contributions and does not cover any other damages, including damages to Franchisor's public reputation and image arising from a violation of any provision of this Agreement. Franchisee and the owners of Franchisees agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Continuing Royalties (Section 6.02) and Marketing Fee (Section 9.01) Sections hereof.

16.07 Continuing Obligations. All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement (for example, the non-competition covenant provided for in Section 7.04) shall continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination and until they are satisfied in full or by their nature expire.

17. TEMPORARY DE-IDENTIFICATION OF THE RESTAURANT

In lieu of immediately exercising its rights to terminate this Agreement, as set forth in Section 15, and in Franchisor's sole discretion, Franchisor may execute an agreement with Franchisee calling for the temporary de-identification of the Franchised Restaurant ("**De-identification Agreement**"). The De-identification Agreement shall be in a form prescribed by Franchisor, shall set forth all required repair,

replacement, refurbishing, and/or remodeling which must be completed by Franchisee and shall prescribe a timetable in which Franchisee must cure all defaults under this Agreement, and complete such repair, replacement, refurbishing, and/or remodeling.

During the term of the De-identification Agreement, the Franchisee shall:

17.01 Signage. Cover all of the Franchised Restaurant's signs containing the Proprietary Marks located on the exterior or in the interior of the Premises of the Franchised Restaurant;

17.02 Marketing. Cease all marketing of the Franchised Restaurant using the Proprietary Marks;

17.03 Public Relations. Cease all representations to the public and its customers that the Franchised Restaurant is authorized to operate under the Proprietary Marks and is affiliated with the System in any way; and

17.04 Advisory Signs. Prominently display signs and notices in the Franchised Restaurant in such manner and in a form as is prescribed by Franchisor indicating that the Franchised Restaurant is temporarily not affiliated with any restaurants operated or franchised by Franchisor while it is undertaking improvements to bring it into compliance with the standards and specifications required of all Franchised Restaurants. During the term of the De-identification Agreement, Franchisee shall discontinue use of all menus and expendable supplies containing the Proprietary Marks.

During the term of the De-identification Agreement, Franchisee shall not be required to make Continuing Royalty payments and Marketing Fee required by this Agreement, except for any amounts due at the time of execution of the De-identification Agreement. The term of this Agreement shall continue to run during, and shall not be extended by, the term of the De-identification Agreement. In the event Franchisee fails to comply with all of the terms and conditions of the De-identification Agreement, or if upon expiration of the De-identification Agreement, if Franchisee has not completed all required repairs, replacement, refurbishing, and/or remodeling, Franchisor may proceed to terminate this Agreement as set forth in Section 15.

18. CASUALTY LOSS OR CONDEMNATION

18.01 Casualty Loss. If the Franchised Restaurant licensed by this Agreement is damaged by fire or other casualty, Franchisee shall, at its cost, expeditiously repair such damage as soon as possible after the occurrence thereof. In the event such casualty loss requires the closing of the Franchised Restaurant for more than three (3) consecutive months, then, unless repair and reconstruction work has commenced in earnest within such three (3) month period and unless the Franchised Restaurant is re-opened in full operation no later than one (1) year after the date of such casualty loss, this Agreement shall terminate automatically and without notice to Franchisee. In lieu of reconstructing and reopening the damaged Franchised Restaurant as required hereby, Franchisee may construct and open a different Franchised Restaurant within the trade area of such damaged Franchised Restaurant, at a location approved by Franchisor, within one (1) year after the date of such casualty loss. Such substituted Franchised Restaurant shall be exempt from the Initial Franchise Fee requirement provided for in this Agreement.

18.02 Condemnation Proceedings. Franchisee shall give Franchisor written notice as soon as it receives any knowledge of any condemnation or exercise of the power of eminent domain, or threat thereof, by any applicable governmental authority. If, in the reasonable opinion of Franchisor, a substantial part of the Franchised Restaurant is to be condemned or taken under eminent domain and the portion not so taken or condemned could not be operated practicably and profitably as a Franchised Restaurant, Franchisor shall give good faith consideration to transferring the Franchised Restaurant granted by this Agreement to

another location reasonably near the condemned Franchised Restaurant which decision shall be made by Franchisor not more than four (4) months after Franchisor's determination of condemnation. If such transfer of Franchised Restaurant is authorized by Franchisor and Franchisee opens for business at such other location within one (1) year of the closing of the condemned or taken Franchised Restaurant, the substituted Franchised Restaurant in such area shall be deemed to be open under this Agreement in the same manner and for the same term as was the previous Franchised Restaurant. In the event Franchisee has used its best efforts to vigorously replace such condemned location but has been unable to do so on account of its failure to obtain the requisite licenses and permits for such other location, Franchisor may, but shall not be required to, grant additional time for Franchisee to open such other location. If such condemnation or eminent domain takes place and no new location, for any reason whatsoever, becomes franchised in strict accordance with this Section, then this Agreement shall terminate automatically without notice to Franchisee.

19. ENFORCEMENT

19.01 Severability and Substitution of Valid Provisions. Except as expressly provided to the contrary in this Agreement, each Section, term, and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such provision of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final ruling issued by any court, agency, or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party thereto, or otherwise upon Franchisee's receipt of a notice of non-enforcement thereof from Franchisor. To the extent that Section 7, or any section, or portion, or clause thereof, is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but same may be made enforceable by reducing any or all thereof, Franchisee and Franchisor agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

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

19.02 Waiver of Obligations. Franchisor or Franchisee may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires Franchisor's prior approval or consent, Franchisee shall make a timely

written request to Franchisor, and such approval shall be obtained in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by granting any waiver, approval, or consent to Franchisee or by reason of any neglect, delay, or denial of any request by Franchisor. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon delivery to Franchisee of thirty (30) days prior written notice.

Franchisor and Franchisee shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition, and covenant in this Agreement, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term), by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal, or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations by this Agreement, including, without limitation, any mandatory specification, standard, or operating procedure; any waiver, forbearance, delay, failure, or omission by Franchisor to exercise any right, power or option, whether of the same, similar or different nature, with respect to the Franchised Restaurant; or the acceptance by Franchisor of any payments due from Franchisee after any breach of this Agreement.

19.03 Limitations on Liability. Unless stated to the contrary elsewhere in this Agreement, neither Franchisor nor Franchisee shall be liable for any loss or damage nor deemed to be in breach of this Agreement if its failure to perform its obligations results from:

(a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any federal, state, or municipal government or any department or agency thereof;

(b) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof;

(c) acts of God;

(d) acts or omissions of the other party;

(e) fires, strikes, embargoes, war, or riot; or

(f) any other similar event or cause.

Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of Continuing Royalties due on any sales thereafter.

19.04 Specific Performance/Injunctive Relief. Nothing contained in this Agreement shall bar Franchisor's or Franchisee's right to obtain specific performance of the provisions of this Agreement and to obtain injunctive relief against threatened conduct that will cause it loss or damages, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee agrees that Franchisor may obtain such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law. Franchisee further agrees that

its sole remedy in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly had and all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived hereby unless against the public policy of the forum in which the proceeding was brought.

19.05 Rights of Parties are Cumulative. The rights of Franchisor and Franchisee by this Agreement are cumulative and no exercise nor enforcement by Franchisor or Franchisee of any right or remedy by this Agreement shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy by this Agreement or which Franchisor or Franchisee is entitled by law or equity to enforce.

19.06 Governing Law/Consent to Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, *et seq.*), this Agreement and the Franchise shall be governed by the laws of the State of California. Except as expressly set forth in Section 21.01 regarding the duty of the parties to arbitrate disputes arising from their relationship under this Agreement, Franchisee agrees that Franchisor may institute any action against Franchisee for injunctive relief or enforcement of Franchisee's confidentiality and non-competition covenants in any State or Federal court of general jurisdiction in the State of California and Franchisee irrevocably submits to the jurisdiction of such courts and waives any objection it may have to either the jurisdiction or venue of such court.

19.07 Binding Effect/Modification. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and Franchisor.

19.08 Construction. This Agreement, together with the Manual, any written related agreements, all Exhibits, Attachments, and the State Addenda attached to the Franchise Disclosure Document as **Exhibit D**, constitutes the entire understanding and agreement between Franchisee and Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement or the System. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

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

The term “**affiliate**” as used in this Agreement is applicable to any company directly or indirectly owned by, controlled by, or under common control with Franchisor that sells products or otherwise transacts business with Franchisee.

The term “**Franchisee**” as used in this Agreement is applicable to one or more persons, a corporation, limited liability company, or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to Franchisor shall be joint and several. References to “Franchisee,” “owner” and “transferee” which are applicable to an individual or individuals shall mean, unless expressly made applicable to all shareholders, members and partners, all owners of Franchisee or the transferee if Franchisee or the transferee is a corporation, limited liability company or partnership.

19.09 Counterparts. This Agreement may be executed in multiple copies, each of which shall be deemed an original, but all of which shall constitute one document.

19.10 Consent. Except where this Agreement expressly obligates Franchisor to reasonably approve or not unreasonably withhold its approval of any action or request by Franchisee, Franchisor has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee for any reason whatsoever.

19.11 Attorneys' Fees. Notwithstanding anything in this Agreement to the contrary, if either party institutes a legal proceeding, including court proceeding or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party, in addition to any judgment, reasonable attorneys' fees, court or arbitrators costs and all of the prevailing party's expenses in connection with any action at law.

20. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manual shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by facsimile or comparable electronic system or three (3) business days after being placed in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. All payments and reports required by this Agreement shall be directed to Franchisor at the address notified to the Franchisee from time-to-time, or to such other persons and places as the Franchisor may direct from time-to-time. Any required payment or report not actually received by Franchisor during regular business hours on the date due (or postmarked by postal authorities as of the due date) shall be deemed delinquent.

Any notice, consent, approval, demand or other communication to be given, made or provided for under this Agreement shall be in writing and deemed to be fully given by its delivery personally to the person or persons specified below by being sent electronically to the email address of the persons specified below, by registered or certified mail, return receipt requested, or by recognized courier service to the following addresses, or to such other address or to the attention of such other person as any party hereto shall hereafter specify by prior written notice to the other party:

If to Franchisor: WinStar 85C, LLC
1415 Moonstone
Brea, California 92821
Attention: Business Development and Legal Department

If to Franchisee: _____

Attention: _____

21. ARBITRATION AND DISPUTE RESOLUTION

21.01 Duty to Arbitrate. Except in the case of any Franchisor-sponsored dispute resolution program created in accordance with Section 21.04, the parties agree that any and all controversies, claims and disputes between them arising out of or related to this Agreement that cannot be amicably settled shall be finally resolved by submitting such matter to the American Arbitration Association ("AAA") in Orange County, California, for binding arbitration under the AAA's Commercial Arbitration Rules. A single arbitrator shall be selected in accordance with standard AAA procedure. In accordance with the terms of the Federal Arbitration Act, the arbitrator shall hear the dispute in Orange County, California. During the

arbitration process, each party shall bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. The decision of the arbitrator shall be final and binding and shall include attorneys' fees, all arbitration expenses, and other costs in accordance with Section 19.11. Franchisee knows, understands and agrees that it is the intent of the parties that any arbitration between Franchisor and Franchisee or its owners shall be of Franchisee's (or its owner's) individual claims and that the claims subject to arbitration shall not be arbitrated in conjunction with the claims of other developers, franchisees or on a class-wide basis and Franchisee and its owners hereby waive any right it or they may assert to have its claims arbitrated in conjunction with the claims of other developers, franchisees or on a class-wide basis.

21.02 Franchisor's Right to Seek Injunctive Relief. Notwithstanding any provision contained in this Section 21, Franchisor may, at its sole option, institute an action or actions for temporary or preliminary injunctive relief or seeking any other temporary or permanent equitable relief against Franchisee that may be necessary to protect its Proprietary Marks or other rights or property. However, in Franchisor's sole discretion, the final right of determination of the ultimate controversy, claim or dispute shall be decided by arbitration as aforesaid and recourse to the courts shall thereafter be limited to seeking an order to enforce an arbitral award. In no event shall Franchisee be entitled to make, Franchisee shall not make, and Franchisee hereby waives, any claim for money damages by way of set-off, counterclaim, defence or otherwise based upon any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by the Franchisee under any of the terms of this Agreement. The Franchisee's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, for specific performance or declaratory judgment.

21.03 Location of Agreement. Franchisee, the Franchisee's owners and Franchisor acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Orange County, California, and further acknowledge that the performance of certain obligations of Franchisee arising under this Agreement, including the payment of monies due under this Agreement, shall occur in Orange County, California.

21.04 Franchisor's Right to Develop Alternative Dispute Resolution Programs. Without limiting any of the foregoing, Franchisor reserves the right, at any time, to create a dispute resolution program and related specifications, standards, procedures and rules for the implementation thereof to be administered by Franchisor or its designees for the benefit of all developers and franchisees conducting business under the System. The standards, specifications, procedures and rules for such dispute resolution program shall be made part of the Manual, and Franchisee shall comply with all such standards, specifications, procedures and rules in seeking resolution of any claims, controversies or disputes with or involving Franchisor or other developers or franchisees, if applicable under the program. If Franchisor makes such dispute resolution program mandatory, Franchisee and Franchisor agree to submit any claims, controversies or disputes arising out of or relating to this Agreement or the relationship created by this agreement for resolution in accordance with such dispute resolution program prior to seeking resolution of such claims, controversies or disputes in the manner described in Sections 21.01 and 21.02 (provided that the provisions of Section 21.02 concerning Franchisor's right to seek relief in a court for certain actions including for injunctive or other extraordinary relief shall not be superseded or affected by this Section 21.04) or if such claim, controversy or dispute relates to another developer or franchisee, Franchisee agrees to participate in the program and submit any such claims, controversies or disputes in accordance with the program's standards, specifications, procedures and rules, prior to seeking resolution of such claim by any other judicial or legally available means.

21.05 Waiver of Certain Damages. Franchisee and Franchisee's owners waive, to the fullest extent permitted by law, any right to or claim of punitive, exemplary, incidental, indirect, special, consequential or other damages (including loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors,

servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Franchisee and Franchisee's owners shall be limited to the recovery of any actual damages sustained by it or them. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including loss of profits) shall continue in full force and effect.

22. NOTICE TO FRANCHISEE

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.

[Signatures on Following Page]

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

Franchisor:

WinStar 85C, LLC

By: _____

Name: _____

Title: _____

Franchisee:

***If a Corporation or
Limited Liability Company:***

Printed Corporate or LLC's Name

By: _____

Printed Name

Title: _____

If an Individual:

Signature

Print Name

If a Limited Partnership

Printed Limited Partnership's Name

By: _____

General Partner

Print Name

Title: _____

**ATTACHMENT 1
TO FRANCHISE AGREEMENT**

RESTAURANT INFORMATION

PREMISES. Pursuant to Section 1.01, the Premises of Franchisee's Franchised Restaurant shall be located at:

GEOGRAPHICAL AREA: Pursuant to Section 1.01, the geographical area within which Franchisee's Franchised Restaurant shall be located is:

**ATTACHMENT 2
TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION
OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATION is given this ____ day of _____, 20____, by _____.

In consideration of, and as inducement to, the execution of that certain Franchise Agreement of even date herewith (“**Agreement**”) by WinStar 85C, LLC (“**Franchisor**”), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ (“**Franchisee**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including, without limitation, the provisions of Section 3.04 and Section 7.04. Notwithstanding clauses (a) and (b) above, a spouse who is also a guarantor hereunder and who becomes widowed and who does not have (and will not obtain) an ownership interest in the Franchisee, the Agreement, or any Franchise Agreement granted thereunder as an owner, co-owner, investor, member, partner, shareholder or like capacity shall not thereafter be held responsible for any monetary obligations thereafter arising out of the terms and conditions of this Guaranty and Assumption of Obligations unless any such ownership interest is acquired in any manner by the widowed spouse, or the widowed spouse’s or deceased spouse’s children. Notwithstanding any change in ownership resulting from the death of a spouse, all monetary obligations and liabilities existing at the time of death shall continue to be an obligation of the surviving spouse until such obligations or liabilities shall be paid in full by the estate or by the guarantor spouse. Notwithstanding the limitations set forth above, any and all other non-monetary obligations of the Agreement, including without limitation the restrictions of Section 7.04, shall remain an obligation of the surviving spouse.

Each of the undersigned waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (iii) protest and/or non-performance of any obligations hereby guaranteed; (iv) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (v) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (i) his/her direct and immediate liability under this guaranty shall be joint and several; (ii) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time-to-time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto written his/her signature on the same day and year as the Agreement was executed.

Guarantor(s):

**Percentage of
Ownership of
Franchisee**

(Signature) _____% _____
(Typed or Printed Name)

(Signature) _____% _____
(Typed or Printed Name)

(Signature) _____% _____
(Typed or Printed Name)

(Signature) _____% _____
(Typed or Printed Name)

(Signature) _____% _____
(Typed or Printed Name)

**ATTACHMENT 3
TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS,
TELEPHONE LISTINGS, AND INTERNET ADDRESSES**

THIS ASSIGNMENT is entered into this ____ day of _____, 20____, in accordance with the terms of that certain Franchise Agreement (“**Franchise Agreement**”) between _____ (“**Franchisee**”), and WinStar 85C, LLC, a Delaware limited liability company (“**Franchisor**”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a franchise located at _____ (“**Franchised Restaurant**”).

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”) and (2) those certain Internet Website Addresses (“**URLs**”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Franchised Restaurants at the address provided above. This Assignment is for collateral purposes only and, except as specified in this Agreement, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to as “**Telephone Company**”) and/or Franchisee’s internet service provider (“**ISP**”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers, the Listings and the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers, Listings and URLs, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers, Listings and URLs, and Franchisee irrevocably appoints Franchisor as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the Assignment. Upon such event, Franchisee shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers, Listings and URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers, Listings and URLs to Franchisor, Franchisor shall direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Numbers, Listings, and URLs upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company’s and ISP’s receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company’s or the ISP’s assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor’s execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee’s consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as

may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE:

WinStar 85C, LLC

ASSIGNOR:

[FRANCHISEE]

By: _____
Name:
Title:

By: _____
Name:
Title:

**ATTACHMENT 4
TO FRANCHISE AGREEMENT**

~~**INTENTIONALLY OMITTED**~~ **MINIMUM ASSET PURCHASE WARRANTIES**

AND

MINIMUM STOCK PURCHASE WARRANTIES

MINIMUM ASSET PURCHASE WARRANTIES

(a) Seller is a duly organized and validly existing corporation in good standing under the laws of the State of _____.

(b) Seller is duly authorized to execute and deliver this Agreement, perform the covenants on its part herein contained, consummate the transactions contemplated hereby, and execute, deliver, and perform all documents and instruments to be executed and delivered by it pursuant hereto, and all required corporate action in respect to the foregoing has been taken. Shareholders are the sole shareholders of Seller. Neither Seller nor Shareholders are subject to any restriction, agreement, law, judgment, or decree which would prohibit or be violated by the execution, delivery, and performance of this Agreement.

(c) Seller has, and on the closing date will have, good and marketable title to all of the Purchased Assets free and clear of all liens, encumbrances, and restrictions of every kind and description. Immediately following Closing and delivery of the closing documents provided for in this Agreement, good and marketable title to all of the Purchased Assets shall vest in Purchaser, free and clear of all liens, encumbrances, and restrictions except such as may be created by Purchaser.

(d) There are no contracts, agreements, or continuing obligations of Seller or Shareholders, or threatened or contingent liabilities of any nature whatsoever in respect to the Franchised Restaurant(s), the business therein conducted, or Purchased Assets which will survive the closing and in any manner bind or affect Purchaser or the Purchased Assets.

(e) There are no judgments of record, nor any litigation or administrative proceedings pending, or to Seller's or Shareholders' knowledge, threatened against or relating to Shareholders, Seller, or the Purchased Assets nor does Seller or Shareholders know or have reasonable grounds to know any basis for any such action which have not been disclosed in an Exhibit hereto.

(f) All representations, warranties, indemnities, and covenants by Seller and Shareholders herein or in any document delivered hereunder shall, except as affected by the transactions contemplated hereby, be true and in effect as of the closing date as though same were remade as of such time, and all shall survive the closing hereof.

(g) All of the fixed or tangible Purchased Assets (including, but not limited to, equipment, furniture, furnishings, signs, utensils, fixtures, and leasehold improvements) are in good condition, repair, and working order as of the date hereof, subject to ordinary wear and tear.

(h) The Bulk Sales Affidavit attached hereto as **Exhibit _____** contains a true, correct, and complete list of all creditors of Seller as of the date thereof within the purview of Article 6 (Bulk Transfers) of the Uniform Commercial Code as adopted in the State of _____.

(i) Neither this Agreement nor the transaction contemplated by this Agreement was induced or procured through any person, firm, corporation, or other entity acting on behalf of, or representing Seller or Shareholders as broker, finder, investment banker, financial adviser, or in any similar capacity.

MINIMUM STOCK PURCHASE WARRANTIES

(a) Company is a duly organized and validly existing corporation under the laws of the State of _____ with an authorized capital stock of _____ shares of common stock, par value _____, of which there are issued and outstanding _____ shares.

(b) Company has no subsidiaries. (Alternatively, the subsidiaries should be listed and all representations and warranties should apply to such subsidiaries.)

(c) Seller has the legal capacity to execute and deliver this Agreement, perform the covenants on his part herein contained, consummate the transaction contemplated hereby, and execute and deliver and perform all documents and instruments to be executed and delivered by him pursuant hereto. When executed and delivered, this Agreement and all such documents and instruments will constitute valid and binding obligations of Seller, enforceable against him in accordance with their respective terms.

(d) The shares are duly issued and outstanding, fully paid, are non-assessable and comprise all of the issued and outstanding equity securities of Company. There are no warrants, options, conversion rights or privileges, or any other rights (whether at equity or law) as to equity securities of Company.

(e) True, correct, and complete copies of the Corporate Charter or Certificate of Incorporation and the Bylaws of Company, and all amendments thereto have been furnished by Seller to Purchaser. The corporate minutes and stock transfer ledger of Company have been exhibited to Purchaser, and the same constitute a complete and accurate record of all proceedings taken by the shareholders and directors and a complete and accurate record of all issuances and transfers of shares of capital stock.

(f) Company has been and is operated in compliance with all applicable federal, state, and local laws, ordinances, and license requirements.

(g) The transaction contemplated by this Agreement will not result in the revocation, suspension, or limitation of any license issued to Company.

(h) Seller is the sole legal and beneficial owner of the shares and has good and marketable title to the shares, free and clear of all liens, security interests, charges, covenants, conditions, agreements, encumbrances, pledges, restrictions, adverse claims and defenses of every kind and description. Immediately following delivery of the closing documents provided for herein, good and marketable title to the shares shall vest in Purchaser, free and clear of all liens, security interests, charges, covenants, conditions, agreements, encumbrances, pledges, restrictions, adverse claims and defenses, except such as may be created by Purchaser.

(i) The financial statements attached hereto as **Exhibit** _____ fairly and accurately present the financial position of Company as of the dates set forth in such financial statements and the results of operation of Company for the periods covered by such financial statements except as shown in **Exhibit** _____ hereto since _____: (i) there has been no material adverse change in the financial condition, assets or liabilities or business of Company; (ii) there have been no liabilities or obligations incurred by Company other than in the ordinary course of business; (iii) no dividends or other distributions in respect of the capital stock of Company have been declared, set aside, or paid; and (iv) no indebtedness for borrowed money has been incurred by Company.

(j) There are no unfulfilled or executory contracts, agreements, or commitments of Company which are not described in an Exhibit attached hereto.

(k) The execution and delivery of this Agreement and the performance of or compliance with the terms and provisions of this Agreement and all documents and instruments contemplated hereby will not violate, conflict with, or result in a breach of, any of the terms, conditions, or provisions of the Articles of Incorporation or Bylaws of Company or any law, statute, regulation or order, or any agreement or any other restriction of any kind or character, to which Company, or Seller is a party or by which either of them may be bound, and will not constitute a default thereunder or permit acceleration of performance thereunder or result in the declaration or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the assets of Seller or Company.

(l) **Exhibit** sets forth a true and complete copy of all leases and subleases to the Franchised Restaurant(s). Each lease is valid, subsisting, and enforceable in accordance with its terms, and neither Company nor any other party to any of the leases is in default or in arrears in the performance or satisfaction of any agreement or condition on its part to be performed or satisfied under any such lease, nor has Company given or received any notice of any claimed default.

(m) Neither this Agreement nor the transaction contemplated by this Agreement was induced or procured through any person, firm, corporation, or other entity acting on behalf of, or representing Seller or Company as broker, finder, investment banker, financial advisor, or in any similar capacity.

(n) Company has good and marketable title to all of the assets used in the Franchised Restaurant(s), free and clear of all liens, security interests, charges, covenants, conditions, agreements, encumbrances, restrictions, adverse claims and defenses of every kind and description, except (). All such assets are located at the following locations ().

(o) All equipment, furniture, furnishings, signs, utensils, fixtures, leasehold improvements, and other personal property of Company are in good operating condition and repair, subject to normal wear and tear. All such assets are fully insured and Company has maintained and is maintaining adequate general liability, product liability, and statutory workers' and unemployment compensation insurance coverages.

(p) There are no contracts, agreements, or continuing obligations or threatened or contingent liabilities of any nature whatsoever (including, without limitation, liabilities which have not yet accrued, but which resulted from acts or omissions prior to the date hereof) in respect to Company which will survive the closing, except as shown in **Exhibit** .

(q) There are no judgments of record, nor any litigation or administrative proceedings pending, or to the best knowledge, information, and belief of Seller or any officer of Company, threatened against or relating to Seller, the shares, or Company. Seller or any officer of Company does not know or have reasonable grounds to know of any basis for any such action, or any governmental investigation, relating to Seller, the shares, or Company.

(r) All material facts known to Seller relating to the businesses and financial condition of Company and the sale of the shares have been disclosed to Purchaser. No statement contained in this Agreement or in any of the Exhibits attached hereto or in any document or instrument delivered or to be delivered by Seller pursuant hereto or in connection with the transaction contemplated hereby contains or will contain any untrue statement of a material fact, or omit or will omit to state a material fact, necessary to make the statements contained therein not misleading. A "material fact" for purposes hereof includes such fact or facts which would influence a reasonable man's decision to purchase or sell the shares.

**ATTACHMENT 5
TO FRANCHISE AGREEMENT
STATE SPECIFIC ADDENDA**

See Exhibit D to Franchise Disclosure Document

**ATTACHMENT 6
TO FRANCHISE AGREEMENT**

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

**Form of Ownership
(Check One)**

____ **Individual** ____ **Partnership** ____ **Corporation** ____ **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

Franchisee acknowledges that this Statement of Ownership applies to the Franchised Restaurant authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

Date

By

Name

**ATTACHMENT 7
TO FRANCHISE AGREEMENT**

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS

(Name of Person or Legal Entity)

(ID Number)

The undersigned depositor (“**Depositor**” or “**Franchisee**”) hereby authorizes WinStar 85C, LLC (“**Franchisor**”) or any of Franchisor’s affiliates to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**” or “**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

_____ Depository	_____ Branch	
_____ City	_____ State	_____ Zip Code
_____ Bank Transit/ABA Number	_____ Account Number	

This authorization is to remain in full and force and effect until sixty days (60) after Franchisor has received written notification from Franchisee regarding any changes to the information above.

Printed Name of
Depositor: _____

Signed: _____

Printed Name: _____

Title: _____

Date: _____

EXHIBIT B
~~AREA DEVELOPMENT AGREEMENT~~

~~(see attached)~~

~~EXHIBIT C~~

TABLE OF CONTENTS OF MANUAL

Subject to Change

TOTAL PAGES: 644 pages

- I. Fresh Bread/POS Station (74 pages)
 - a. FRESH BREAD
 - i. Opening & Closing Procedures
 - ii. Bread Menu
 - iii. Rolls Menu
 - iv. 4-Hour Timed Breads
 - v. Bread Cooling and Bagging
 - vi. Bread Bag Guide
 - vii. Micro-Perforated OPP Bag
 - viii. White Tray Guide
 - ix. Sponge Rolls
 - b. POS
 - i. Opening & Closing Procedures
 - ii. Cake Menu
 - iii. Product Packaging
 - iv. Cake Display Cleaning
 - v. Customer Service
 - vi. Cash Handling Procedures
 - vii. Sweets Drink Ticket & Coffee Voucher
 - viii. 85C Sweets Card (Gift Card)
 - ix. Preorders
 - x. Paytronix/85C App
 - xi. Receipt Printer Cleaning
- II. Drink Station (202 pages)
 - a. Procedures
 - b. Coffee
 - c. Tea
 - d. Milk Tea
 - e. Sea Salt Series
 - f. Smoothie/Slush
 - g. Other
 - h. Equipment
- III. Back-Up Tea (73 pages)
 - a. Procedures & Checklists
 - b. Equipment
 - c. Recipes
 - d. Teas
 - e. Bottled Drinks
- IV. Bread Department (112 pages)
 - a. Procedures & Checklists
 - b. Equipment
 - c. Recipes
 - d. European Bread

- e. Japanese Bread
 - f. Taiwanese Bread
 - g. Danish
 - h. Other Bread
- V. Cake Department (89 pages)
 - a. Procedures & Checklists
 - b. Equipment
 - c. Chocolates
 - d. 8" Cakes
 - e. Full Month Cakes
 - f. Cake Slices
 - g. Cups
 - h. Tarts, Rolls, & Seasonal
- VI. Central Kitchen (41 pages)
 - a. Caramel Pudding
 - b. Cream Puff
 - c. Muffins
 - d. Lemon Mini Cake
 - e. Strawberry Cream Square
 - f. Toasts
- VII. QSC - Food Safety (53 pages)
 - a. Foodborne Illnesses
 - b. Personal Hygiene
 - c. Gloves
 - d. Cleaning and Sanitizing
 - e. Tools
 - f. Equipment
 - g. Containers
 - h. Product
 - i. Walk-in and Reach-in Units
 - j. Thermometers
 - k. Temperature Danger Zone
 - l. Food Storage/Hierarchy
 - m. Approved Sources
 - n. TCS
 - o. Expirations
 - p. Facility Cleanliness
 - q. Paperwork
 - r. Safety
 - s. Glossary

EXHIBIT ~~D~~C

STATE LAW ADDENDA TO
FDD, AND FRANCHISE AGREEMENT ~~AND AREA DEVELOPMENT AGREEMENT~~

(See attached)

STATE LAW ADDENDUM - CALIFORNIA

1. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.**
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.
3. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the franchise ~~agreement or area development~~ agreement contains provisions that are inconsistent with the law, the law will control.
4. The franchise agreement ~~and area development agreement provide~~ provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
5. The franchise agreement ~~and area development agreement contain~~ contains covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable under California law.
6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. Section 31125 of the California Corporation Code requires the franchisor to provide you with a Disclosure Document before asking you to agree to a material modification of an existing franchise.
8. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
9. You must sign a general release if you renew or transfer your franchise agreement ~~or area development agreement.~~ California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
10. The franchise agreement requires binding arbitration. The arbitration will occur in Orange County, California with each party bearing its own costs. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California. Business and Professions Code Section 20040.5 relating to forum selection clauses restricting venue outside the state of California or arbitration may be preempted by the Federal Arbitration Act. Section 20040.5 may still apply to any provision relating to judicial proceedings. A binding arbitration provision may not be enforceable under generally applicable contract defenses, such as fraud, duress, or unconscionability.

11. OUR WEBSITE, www.85cbakerycafe.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.
12. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. As long as this represents the law of the State of California, we will not interpret the Franchise Agreement as permitting or requiring maximum price limits.
13. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.
14. The California Legislature passed Assembly Bill 1228 ("AB 1228") on September 28, 2023, which creates new standards for National Fast Food Chain Restaurants. This bill establishes and authorizes the Fast Food Council to set fast-food restaurant standards for minimum wage and develop minimum standards on working hours and other working conditions, including health and safety standards and training. There is an exemption to AB 1228 for bakeries that produces for sale on the establishment's premises bread for sale as a stand-alone menu item. Franchisor believes 85°C Bakery Cafes fit within that exemption. However, if it is determined that 85°C Bakery Cafes do not fit within that exemption and there is no other exemption available, you must comply with the minimum wage standards for your employees beginning April 1, 2024. You must also adhere to certain standards on working hours and other working conditions, including health and safety standards and training, established by the Fast Food Council. Failure to comply could lead to violation of the law and possible fines and lawsuits brought by your employees.
15. The highest interest rate allowed by law in California for late payments is 10% annually.
16. Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
 - (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
 - (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
 - (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
 - (d) Violations of any provision of this division.

**NOTICE TO FRANCHISEES
IN THE
STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process: Commission of Securities of the State of Hawaii.

**NEW YORK ADDENDUM
TO WINSTAR 85C, LLC
FRANCHISE DISCLOSURE DOCUMENT**

1. The cover page of the Franchise Disclosure Document is amended to include to the following:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATOR LISTED IN EXHIBIT EF OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, N.Y. 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a

petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**MARYLAND ADDENDUM
TO WINSTAR 85C, LLC
FRANCHISE DISCLOSURE DOCUMENT, ~~AREA DEVELOPMENT AGREEMENT~~ AND
FRANCHISE AGREEMENT**

1. The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. The Franchise Agreement, ~~the Area Development Agreement~~, and Item 17 of the Franchise Disclosure Document are so amended.

2. The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable. The Franchise Agreement, ~~the Area Development Agreement~~, and Item 17 of the Franchise Disclosure Document are so amended.

3. All representations requiring prospective franchisees 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 Franchise Registration and Disclosure Law. The Franchise Agreement ~~and the Area Development Agreement are~~ is so amended.

4. Provisions in the Franchise Agreement which provides for termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et. seq.).

5. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees under Item 5 of the Franchise Disclosure Document, and Section 6.01 of the Franchise Agreement shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. ~~In addition, all development fees and initial payments by area developers under Item 5 of the Franchise Disclosure Document, and Section 5.01 of the Area Development Agreement shall be deferred until the first franchise under the development agreement opens.~~

6. No statement, questionnaire, or acknowledgement 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 franchisor, franchisee seller, or other person action on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise

Dated: _____

“FRANCHISOR”
WinStar 85C, LLC

“FRANCHISEE”
If Franchisee is an individual:

By: _____
Title: _____

Individually: _____
Print Name: _____

If Franchisee is a corporation or other entity:

[Name of Franchisee]

By: _____

Print Name: _____

Title: _____

**ILLINOIS ADDENDUM
TO WINSTAR 85 LLC
FRANCHISE DISCLOSURE DOCUMENT, ~~AREA DEVELOPMENT AGREEMENT~~ AND
FRANCHISE AGREEMENT**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

Dated: _____

“FRANCHISOR”

WinStar 85 LLC

By: _____

Title: _____

“FRANCHISEE”

If Franchisee is an individual:

Individually:

Print Name: _____

If Franchisee is a corporation or other entity:

[Name of Franchisee]

By: _____

Print Name: _____

Title: _____

**MINNESOTA ADDENDUM
TO WINSTAR 85 LLC
FRANCHISE DISCLOSURE DOCUMENT, ~~AREA DEVELOPMENT AGREEMENT~~ AND
FRANCHISE AGREEMENT**

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

No statement, questionnaire, or acknowledgement 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 with the franchise.

Dated: _____

“FRANCHISOR”

WinStar 85 LLC

By: _____

Title: _____

“FRANCHISEE”

If Franchisee is an individual:

Individually:

Print Name: _____

If Franchisee is a corporation or other entity:

[Name of Franchisee]

By: _____

Print Name: _____

Title: _____

EXHIBIT ~~ED~~
LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF CURRENT FRANCHISEES:

State	City	Store Address	Contact Name	Phone Number
California*	Bakersfield	~~TBD~~ 9000 Ming Ave I4, Bakersfield, California 93311	Andrew Kim	(909) 224-2276
California*	Palm Desert	34140 Monterey Avenue, Palm Desert, California 92211	Joe Tian	(626) 806-5827
Hawaii^	Honolulu	1450 Ala Moana Blvd #3230, Honolulu, HI 96814	Jae Chang	(323) 846-8387
Hawaii^	Kapolei	Pad No. 5, 590 Farrington Highway, Kapolei, Hawaii 96707	Jae Chang	(323) 846-8387
~~Kansas*~~	~~Overland Park~~	~~12061 Metcalf Ave., Overland Park, Kansas 66213~~	~~Harris Wu~~	~~(913) 387-9747~~
Illinois*_^	Chicago	850 Civic Center Drive, Niles, Illinois 60714	Eugene Lam	(312) 965-0025
Louisiana*	Metairie	4025 Veterans Blvd., Suite B, Metairie, Louisiana 70002	Ah Ho Yeoh	(504) 236-9364
Minnesota*	Blaine	301 Northtown Drive NE, Blaine, Minnesota, 55434	Xing Zhao	(612) 385-8898
Texas*	El Paso	8401 Gateway Blvd. W, Suite L1-01b, El Paso, Texas 79925	Yung Po Liu	(915) 613-9999
Utah^	Salt Lake City	3390 S. State Street, #18, Salt Lake City, Utah 84115	Sau Man So	(801) 809-3229

* As of December 31, ~~2024~~[2025](#), these franchisees have executed franchise agreements, but the applicable Franchised Restaurant has not opened for business.

[^ These franchisees are also area developers.](#)

LIST OF FORMER FRANCHISEES:

~~None.~~

<u>State</u>	<u>City</u>	<u>Contact Name</u>	<u>Phone Number</u>
<u>Kansas</u>	<u>Overland Park</u>	<u>Harris Wu</u>	<u>(913) 387-9747</u>

EXHIBIT E

~~EXHIBIT F~~

FINANCIAL STATEMENTS

(see attached)



WINSTAR 85C, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024, AND 2023

**Wright
Ford
Young & Co.**

*Certified Public Accountants
and Consultants, Inc.*

WINSTAR 85C, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024, AND 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Balance Sheets as of December 31, 2025, 2024, and 2023	3
Statements of Income for the years ended December 31, 2025, 2024, and 2023	4
Statements of Member's Equity for the years ended December 31, 2025, 2024, and 2023	5
Statements of Cash Flows for the years ended December 31, 2025, 2024, and 2023	6
Notes to the Financial Statements	7 - 12

Wright Ford Young & Co.

Certified Public Accountants and Consultants, Inc.

INDEPENDENT AUDITOR'S REPORT

To the Member of
WinStar 85C, LLC

Opinion

We have audited the financial statements of WinStar 85C, LLC, (the Company), which comprise the balance sheets as of December 31, 2025, 2024, and 2023, and the related statements of income, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, 2024, and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

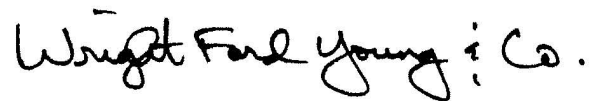
internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audits.

Report on Restatement Adjustments to 2022 Financial Statements

The financial statements of WinStar 85C, LLC for the year ended December 31, 2022, before the restatement described in Note 1, were audited by another auditor whose report dated March 28, 2023, expressed an unmodified opinion on those statements. As part of our audit of the December 31, 2023 financial statements, we also audited the adjustments described in Note 1 that were applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.



WRIGHT FORD YOUNG & CO.
Irvine, California
March 13, 2026

WINSTAR 85C, LLC

BALANCE SHEETS

DECEMBER 31

	<u>ASSETS</u>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 3,059,724	\$ 2,657,549	\$ 2,230,277
Accounts receivable	50,178	75,350	268,996
Prepaid taxes	83,881	4,271	115,566
	<u>3,193,783</u>	<u>2,737,170</u>	<u>2,614,839</u>
Total current assets			
OTHER ASSETS			
Deferred tax assets	598,786	496,283	201,734
	<u>598,786</u>	<u>496,283</u>	<u>201,734</u>
Total other assets			
Total assets	<u>\$ 3,792,569</u>	<u>\$ 3,233,453</u>	<u>\$ 2,816,573</u>

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES:			
Due to affiliate	\$ 1,204,429	\$ 537,456	\$ 399,467
Accrued expenses	1,338	12,133	-
	<u>1,205,767</u>	<u>549,589</u>	<u>399,467</u>
Total current liabilities			
LONG-TERM LIABILITIES:			
Deferred area development and franchise fees	1,876,563	2,062,500	1,887,500
	<u>3,082,330</u>	<u>2,612,089</u>	<u>2,286,967</u>
Total liabilities			
MEMBER'S EQUITY	710,239	621,364	529,606
	<u>710,239</u>	<u>621,364</u>	<u>529,606</u>
Total liabilities and member's equity	<u>\$ 3,792,569</u>	<u>\$ 3,233,453</u>	<u>\$ 2,816,573</u>

See independent auditor's report and notes to the financial statements.

WINSTAR 85C, LLC

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31

REVENUES:	2025	2024	2023
Franchise royalty revenue	\$ 836,646	\$ 527,192	\$ 440,915
Franchise and area development fees	300,937	75,000	145,833
POS revenue	-	-	5,479
Total revenues	1,137,583	602,192	592,227
COST OF SALES	910,067	481,753	5,479
Gross profit	227,516	120,439	586,748
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	343,138	106,040	137,992
INCOME (LOSS) FROM OPERATIONS	(115,622)	14,399	448,756
OTHER INCOME:			
Interest income	107,383	44,106	33,241
Total other income	107,383	44,106	33,241
Income (loss) before provision for income taxes	(8,239)	58,505	481,997
INCOME TAX BENEFIT (EXPENSE)	97,114	33,253	(237,871)
NET INCOME	\$ 88,875	\$ 91,758	\$ 244,126

See independent auditor's report and notes to the financial statements.

WINSTAR 85C, LLC

STATEMENTS OF MEMBER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31

Balance at December 31, 2022, as previously reported	\$ 398,098
Correction of an error (Note 1)	<u>(112,618)</u>
Balance at December 31, 2022, corrected	285,480
Net income	<u>244,126</u>
Balance at December 31, 2023	529,606
Net income	<u>91,758</u>
Balance at December 31, 2024	621,364
Net income	<u>88,875</u>
Balance at December 31, 2025	<u><u>\$ 710,239</u></u>

See independent auditor's report and notes to the financial statements.

WINSTAR 85C, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

	<u>2025</u>	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 88,875	\$ 91,758	\$ 244,126
Adjustments to reconcile net income to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Accounts receivable	25,172	193,646	(218,443)
Prepaid taxes	(79,610)	111,295	(109,475)
Deferred tax asset	(102,503)	(294,549)	(26,943)
Due to affiliate	666,973	137,989	-
Accrued expenses	(10,795)	12,133	226,682
Deferred area development and franchise fees	(185,937)	175,000	291,667
Net cash provided by operating activities	<u>402,175</u>	<u>427,272</u>	<u>407,614</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Short-term investment sales	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Cash provided by investing activities	<u>-</u>	<u>-</u>	<u>1,500,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	402,175	427,272	1,907,614
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,657,549</u>	<u>2,230,277</u>	<u>322,663</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,059,724</u>	<u>\$ 2,657,549</u>	<u>\$ 2,230,277</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	<u>\$ 85,000</u>	<u>\$ 150,000</u>	<u>\$ 280,000</u>

See independent auditor's report and notes to financial statements.

WINSTAR 85C LLC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Background and Nature of Business

WinStar 85C, LLC (the Company), is a Delaware limited liability company formed on May 13, 2020 and is a wholly-owned subsidiary of Prime Scope Trading Limited. The Company is headquartered in Brea, California and was organized for the purpose of franchising bakeries that provide bakery products, smoothies, juices and souvenirs.

As franchisor, the Company offers independent operators the opportunity to purchase an 85C Bakery Cafe. At December 31, 2025, the Company had franchisees operating 6 stores in Hawaii, Utah, Illinois, Louisiana, and California. During the year ended December 31, 2025, 3 new stores were opened and no stores were closed. At December 31, 2024, the Company had franchisees operating 3 stores in Hawaii and Utah. During the year ended December 31, 2024 no new stores were opened or closed. At December 31, 2023, the Company had franchisees operating 3 stores in Hawaii and Utah. During the year ended December 31, 2023 two new stores opened and no stores were closed.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Correction of an Error

During 2023, it was determined that deferred franchise fees and due to affiliate balances at December 31, 2022 were incorrectly stated. As a result, certain accounts were restated as of December 31, 2022. Deferred franchise fees were reduced by \$49,167, due to affiliate balance was increased by \$161,785 and retained earnings was reduced by \$112,618.

Use of Estimates

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

WINSTAR 85C LLC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Revenue Recognition

The Company recognizes revenue in accordance with the Financial Accounting Standards Board (FASB) ASC 606-10-25, *Revenue from Contracts with Customers*. In January 2021, the FASB issued ASU 2021-02, “Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient.” ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company has adopted ASU 2021-02 and implemented the guidance on its revenue recognition policy and elected the practical expedient.

The Company determines revenue recognition through the following steps: (1) identification of the contract with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; (5) recognition of revenue when, or as, a performance obligation is satisfied. Revenues consist of royalties and upfront fees, which include initial franchise fees, fees from area development agreements (ADA), transfers, and renewal fees. The Company’s primary sources of revenue are royalty, franchise and area development fees.

The Company sells individual franchises. Each franchised location operates under a separate franchise agreement. Under the terms of the franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as blueprints, operational manual, and training courses. The typical franchise agreement has a 10-year term, with subsequent options to renew. Under ASC 606, the Company determined that the services provided in exchange for the initial franchise fee, which primarily relate to pre-opening support, are distinct from the continuing franchise rights. Thus initial franchise fees are recognized upon satisfaction of the pre-opening support performance obligation at a point in time. For the years ended December 31, 2025, 2024, and 2023, franchise fee revenue recognized was \$215,000, \$0, and \$100,000, respectively.

Franchisees pay royalty fees between 5% - 6.5% of gross sales to the Company. Royalty fees are recognized as they are earned, which is when the underlying sales occur. For the years ended December 31, 2025, 2024, and 2023, royalty fee revenue recognized was \$836,646, \$527,192, and \$440,915, respectively.

In addition, a franchisee may enter into an area development agreement (ADA), which requires the franchisee to open a specified number of stores in a development area within a specified time period. A separate agreement is entered into for each location under the ADA. ADA fees are recognized as revenue over the term of each respective agreement on a straight-line basis. Renewal fees are recognized on a straight-line basis over the renewal period. For the years ended December 31, 2025, 2024, and 2023, ADA fees and renewal fees revenue recognized was \$85,937, \$75,000, and \$45,833, respectively.

WINSTAR 85C LLC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Revenue Recognition – (Continued)

Accounts receivable includes upfront franchise/ADA fees to be collected based on an executed agreement. Amounts due for franchise/ADA fees receivable amounted to \$0, \$50,000, \$250,000, and \$0 as of December 31, 2025, 2024, 2023, and 2022, respectively, and is included in accounts receivable on the accompanying balance sheets.

Deferred revenue represents the unamortized balance of ADA fees and deferred franchise fees after collection and before pre-opening services are provided. The amount deferred as of December 31, 2025, 2024, 2023, and 2022 is \$1,876,563, \$2,062,500, \$1,887,500, and \$1,595,833, respectively. Revenue recognized for the years ended December 31, 2025, 2024, and 2023, that was included in the contract liability balance at the beginning of the year was \$300,937, \$75,000, and \$145,833, respectively.

The Company's franchise agreements also require franchisees to purchase a minimum of one POS system per location. A related company through common ownership sells the POS systems and recognizes the revenue earned when shipped.

Accounts Receivable and Current Expected Credit Losses

Royalty fees receivable are stated at the amount the Company expects to collect. The Company applies a simplified approach when calculating general current expected credit losses (CECL), using forward-looking factors specific to debtors and the economic environment, in addition to historical observed default rates. If the financial condition of the franchisees were to deteriorate, adversely affecting their ability to make payments, specific allowances for current expected credit losses would be required. The Company generally does not charge interest to its franchisees for past due accounts. Balances that remain outstanding after the Company has used reasonable collection efforts would be written off through a charge to the valuation allowance and a credit to accounts receivable.

The Company has not recorded any allowance for current expected credit losses against its accounts receivable as the CECL was determined to be immaterial and the accounts receivable are considered to be fully collectible. Royalty fees receivable as of December 31, 2025, 2024, 2023, and 2022 were \$20,178, \$25,350, \$18,996, and \$50,553, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company maintains cash balances at financial institutions that are secured by the Federal Deposit Insurance Corporation (FDIC). Although balances in these accounts may at times exceed the FDIC limits, management believes that the Company is not exposed to any significant credit risk with respect to its cash and cash equivalents nor has the Company experienced any related losses.

WINSTAR 85C LLC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Income Taxes

The Company made an election to be treated as a C Corporation for federal tax purposes, as a result, the Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of the events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records deferred tax assets to the extent the Company believes these assets will more-likely-than-not be realized. In making such determinations, the Company considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies and recent financial operations. At December 31, 2025, 2024, and 2023, the Company had no accruals for potential losses related to uncertain tax positions. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Fair Value Measurements

The FASB provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this framework are described as follows:

- | | |
|----------------|---|
| <u>Level 1</u> | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access. |
| <u>Level 2</u> | Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. |

WINSTAR 85C LLC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fair Value Measurements – (Continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Accordingly, the Company believes the carrying value of cash, receivables, amounts due to affiliate and accrued expenses to be representative of their fair values based on their short-term nature.

Subsequent Events

The Company has evaluated subsequent events through the date of the independent auditor's report, which is the date the accompanying financial statements were available to be issued.

2. INCOME TAXES

The provision (benefit) for income taxes consists of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current provision:			
Federal	\$ 5,389	\$ 261,296	\$ 207,050
State	-	-	57,764
	<u>5,389</u>	<u>261,296</u>	<u>264,814</u>
Deferred provision:			
Federal	(102,503)	(339,954)	(24,470)
State	-	45,405	(2,473)
	<u>(102,503)</u>	<u>(294,549)</u>	<u>26,943</u>
	<u>\$ (97,114)</u>	<u>\$ (33,253)</u>	<u>\$ 237,871</u>

WINSTAR 85C LLC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023

2. INCOME TAXES – (Continued)

Deferred taxes arise from temporary differences resulting from income and expense items reported for accounting and tax purposes in different years. Temporary differences give rise to deferred tax assets, as follows, at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
State taxes	\$ (677)	\$ (970)	\$ (6,421)
Accrued royalty fees	191,114	101,168	-
Amortization	14,271	15,460	-
Advance payments	394,078	380,625	208,155
	<u>\$ 598,786</u>	<u>\$ 496,283</u>	<u>\$ 201,734</u>

For 2025, 2024, and 2023, the effective tax rate differs from the Federal statutory rate of 21% primarily due to permanent differences and state income taxes. The Company files consolidated state income tax returns with Perfect 85 Degrees C, Inc., a related company. The provision for income taxes has been prepared on a stand-alone basis.

3. RELATED PARTY TRANSACTIONS

In 2024, the Company entered into an agreement with a related company through common ownership to utilize certain trademarks and branding in franchisor activities in exchange for a royalty fee of 80% of all royalties and ADA fee revenue recognized. Under this agreement, the Company incurred royalty fees of \$910,067 and \$481,753 for the years ended December 31, 2025 and 2024, respectively.

In addition, Company expenses paid by a related company through common ownership totaled \$1,211,815, \$582,522, and \$237,760 for the years ended December 31, 2025, 2024, and 2023, respectively, which includes royalty fees incurred. Amounts due to this affiliate were \$1,204,429, \$537,456, and \$399,467 at December 31, 2025, 2024, and 2023, respectively.

4. CONCENTRATIONS OF CREDIT RISK

As of December 31, 2025, six franchisees accounted for 100% of all receivables and seven franchisees accounted for 100% of revenue.

~~EXHIBIT G~~

EXHIBIT F

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

NOTE: SOME STATES REQUIRE THAT THE FRANCHISE BE REGISTERED WITH A STATE AGENCY. WE DO NOT OFFER OR SELL FRANCHISES IN ANY OF THOSE STATES UNLESS WE ARE REGISTERED, AND THE LISTING OF A STATE BELOW DOES NOT MEAN THAT WE ARE SO REGISTERED.

(see attached)

LIST OF STATE AGENCIES

California:

Department of Financial Protection & Innovation
One Sansome Street, Suite 600
San Francisco, CA 94104

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

[2101 Arena Boulevard](#)
[651 Bannon Street, Suite 300](#)
Sacramento, CA [95834](#)[95811](#)

1455 Frazee Road, Suite 315
San Diego, CA 92108

1-866-ASK-CORP

Hawaii:

Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois:

Office of the Attorney General
500 South Second Street
Springfield, IL 62706

Indiana:

Indiana Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland:

Office of the Attorney General
Division of Securities
200 Saint Paul Place
Baltimore, MD 21202-2020

Michigan:

Michigan Attorney General's Office
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48913

Minnesota:

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

New York:

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8285

North Dakota:

North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, ND 58505

Oregon

Director
Department of Consumer & Business Services
Division of Finance & Corporate Securities
P.O. Box 14480
Salem, Oregon 97309-0405
(503) 378-4140

Rhode Island:

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex, Building 69-1
Cranston, RI 02920-4407

South Dakota:

Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501

Virginia:

State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219

Washington:

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98507-9033

Wisconsin:

State of Wisconsin
Office of the Commissioner of Securities
201 W. Washington Ave.
Madison, WI 53703

AGENTS FOR SERVICE OF PROCESS

The Franchisor has not appointed the agent identified below unless it has registered in that state, as noted in Exhibit [4G](#).

California

Commissioner of California
Department of Financial Protection &
Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7505
(866) 275-2677

Hawaii

Commissioner of Securities
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-1090

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan

Department of Commerce,
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48910
(517) 334-6212

Minnesota

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 539-1600

New York

Secretary of State of the State of New York
99 Washington Avenue
Albany, New York 12231
(518) 473-2492

North Dakota

North Dakota Securities Department 600
East Boulevard, 5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Director of Oregon
Department of Insurance and Finance
700 Summer Street, N.E., Suite 120
Salem, Oregon 97310
(503) 378-4387

Rhode Island

Director of Rhode Island
Department of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903-4232
(401) 222-3048

South Dakota

Director of South Dakota Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9733

Washington

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

Wisconsin

Wisconsin Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT HG
STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	[Pending]
Hawaii	[Pending]
Illinois	[Pending]
Maryland	[Pending]
Michigan	[Pending]
Minnesota	[Pending]
New York	[Pending]
Virginia	[Pending]

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

|

EXHIBIT H
RECEIPT

(see attached)

RECEIPT
(Your Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If WinStar 85C, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale.

If WinStar 85C, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit G.F. WinStar 85C, LLC authorizes the agents listed in Exhibit F to receive service of process for it, where applicable.

The name, principal business address and telephone number of each franchise seller offering the franchise: Please sign this copy of the Receipt, date your signature and return it to ~~Cecilia Ma~~Keshia Panganiban, 1415 Moonstone, Brea, California 92821, TEL: (714) 459-~~1600~~9585.

Issuance Date: March ~~14, 2025~~13, 2026

I have received a disclosure document dated March ~~14, 2025~~13, 2026, that included the following Exhibits:

- A. Franchise Agreement
- ~~B. Area Development Agreement~~
- ~~C.~~B. Table of Contents of Manual
- ~~D.C.~~ State Law Addenda to FDD, and Franchise Agreement ~~and Area Development Agreement~~
- ~~E.~~D. List of Franchisees
- ~~F.~~E. Financial Statements of Franchisor
- ~~G.~~F. List of State Agencies/Agents for Service of Process
- ~~H.~~G. State Effective Dates
- ~~I.~~H. Receipt

Date	Signature	Print Name
------------	-----------------	------------------

Date	Signature	Print Name
------------	-----------------	------------------

Please keep this copy of the Receipt for your records.

RECEIPT
(Our Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If WinStar 85C, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale.

If WinStar 85C, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit G.F. WinStar 85C, LLC authorizes the agents listed in Exhibit F to receive service of process for it, where applicable.

The name, principal business address and telephone number of each franchise seller offering the franchise: ~~Cecilia Ma~~ Keshia Panganiban, 1415 Moonstone, Brea, California 92821, TEL: (714) 459-~~1600~~9585.

Issuance Date: March ~~14, 2025~~ 13, 2026

I have received a disclosure document dated March ~~14, 2025~~ 13, 2026, that included the following Exhibits:

- A. Franchise Agreement
- ~~B. Area Development Agreement~~
- ~~C. B. Table of Contents of Manual~~
- ~~D. C. State Law Addenda to FDD, and Franchise Agreement and Area Development Agreement~~
- ~~E. D. List of Franchisees~~
- ~~F. E. Financial Statements of Franchisor~~
- ~~G. F. List of State Agencies/Agents for Service of Process~~
- ~~H. G. State Effective Dates~~
- ~~I. H. Receipt~~

_____ Date	_____ Signature	_____ Print Name
---------------	--------------------	---------------------

_____ Date	_____ Signature	_____ Print Name
---------------	--------------------	---------------------

Please sign this copy of the Receipt, date your signature and return it to ~~Cecilia Ma~~ Keshia Panganiban, 1415 Moonstone, Brea, California 92821, TEL: (714) 459-~~1600~~9585.