FRANCHISE DISCLOSURE DOCUMENT

Breadsmith Franchising, Inc.
(a Wisconsin corporation)
409 East Silver Spring Drive, Suite U11
Whitefish Bay, Wisconsin 53217
(414) 962-1965
www.breadsmith.com

The Franchise offered is for the operation of a retail and wholesale business that offers a wide assortment of premium quality hearth baked breads, hearth baked products, food products, and complementary items.

The total investment necessary to begin operation of a Breadsmith primary franchise store is $408,250 - $487,250. This includes $185,000 to $205,000 that must be paid to the franchisor or affiliate. An additional investment of $95,500 to $162,500 is necessary if a satellite location is opened in connection with the primary store. This includes $5,000 that must be paid to the franchisor or affiliate.

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

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

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

Issued: March 9, 2023

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How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
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 D 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 Breadsmith 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 Breadsmith franchisee?	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, and/or litigation only in Wisconsin. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Wisconsin than in your own state.

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

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

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESES 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 of the rights 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 terms 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 Franchisor 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 other franchises 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 not limited to:

(1) The failure to the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.

(2) The fact that the proposed transferee is competitor of the Franchisor or sub-Franchisor

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

(4) The failure of the franchisee or proposed transferee to pay any sums owning 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 franchisor 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 from providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, 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 ENFORCEMENT BY THE ATTORNEY GENERAL.

Any question regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
P.O. Box 30215
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

BREADSMITH FRANCHISING, INC.

TABLE OF CONTENTS

Item 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES 2
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 YOUR ESTIMATED INITIAL INVESTMENT 7
Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES 11
Item 9 FRANCHISEE'S OBLIGATIONS 14
Item 10 FINANCING 15
Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING 16
Item 12 TERRITORY 22
Item 13 TRADEMARKS 24
Item 14 PATENTS AND COPYRIGHTS AND PROPRIETARY INFORMATION 25
Item 15 OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS 25
Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL 26
Item 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION 27
Item 18 PUBLIC FIGURES 30
Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS 30
Item 20 OUTLETS AND FRANCHISEE INFORMATION 32
Item 21 FINANCIAL STATEMENTS 37
Item 22 CONTRACTS 37
Item 23 RECEIPTS 37

EXHIBITS:

Exhibit A	List of State Agencies
Exhibit B	Tables of Contents of Manuals
Exhibit C	List of Franchises
Exhibit D	Financial Statements
Exhibit E	Franchise Agreement and Exhibits
Exhibit F	Satellite Franchise Agreement and Exhibits
Exhibit G	State Addenda
Exhibit H	State Effective Dates
Exhibit I	Receipts

Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

Franchisor, Parent and Affiliates

The Franchisor is Breadsmith Franchising, Inc., a corporation organized under the laws of the State of Wisconsin. To simplify the language in this Disclosure Document, Breadsmith Franchising, Inc., will be referred to as "we," "us," or "BFI." "You" means the person who buys the franchise. If you are a corporation, limited liability company, or partnership, "you" includes the stockholders, members, or partners of that entity.

We do not have any predecessors. We also do not have any affiliates with whom you will do business, or who are offering franchises in any line of business.

Prior Experience

BFI was incorporated on September 21, 1993. We do business as BREADSMITH. We do not do business under any other name. Our principal business address is 409 East Silver Spring Drive, Suite U11, Whitefish Bay, Wisconsin 53217. BFI does not have a parent company.

BFI offers and sells franchises that allow franchisees to operate BREADSMITH retail stores, and to service bulk and wholesale bread accounts. We have offered franchises since September 1993. Until 1999, the focus of our system was to establish and operate retail stores. In 1999, we began changing our focus from a bread store to a "bread company" that operates retail stores and develops and services bulk and wholesale accounts. We started developing national and regional wholesale accounts that our stores could service and encouraged our franchisees to develop bulk and wholesale accounts in their local markets. In 2009, we began developing additional opportunities for primary full-service retail locations to open satellite locations. The satellite location has minimal baking at the location and receives the bulk of the product from the primary store. Only franchisees that have existing primary stores are allowed to open satellite locations.

We are not engaged in any other business. We have never offered franchises for any other type of business. We do not operate any company-owned stores, but we have an affiliated company that operates two company-owned stores and two satellite stores, and services wholesale accounts. The affiliated company is Breadsmith Inc. and its principal address is 420 East Silver Spring Drive, Whitefish Bay, WI 53217. We use the stores operated by the affiliated company as our training and research and development facilities. The first of these stores opened in June 1993.

The Business We Offer

The franchises we are offering will allow you to operate one or more premium European-style bread stores and satellite locations in a specific territory and to sell breads, foods, and other products to bulk and wholesale accounts in that territory. BREADSMITH bakeries feature a wide assortment of premium quality fresh, hearth baked breads, hearth baked products, food products, and other complementary items. We also have special confidential recipes and techniques we allow you to use in your BREADSMITH business. You will sell only the highest-quality baked

goods using BFI-taught baking processes in an efficient open-kitchen concept, with a generous sampling program in your store.

There are two or three distinct markets your business will serve. Your retail and satellite store will sell directly to the customer. This customer includes all consumers, but particularly middle and upper income level consumers. Your stores will compete with other businesses that sell fresh baked goods, including grocery stores. The branded wholesale market consists primarily of grocery stores to whom you can sell breads on a wholesale basis. The commercial wholesale market for bulk sales consists of restaurants and country clubs that purchase baked goods to serve to their customers. In these markets, you will be competing with other bread producers who sell their products to restaurants and through grocery stores and other retail outlets.

Applicable Regulations

Your business must comply with laws and regulations that apply generally to all small businesses, including zoning regulations, labor regulations, and minimum age and minimum wage laws. In addition, because you are baking fresh bakery products, there will be laws in your area specific to the preparation and serving of foods, and specific to occupational, health and safety standards that you will have to meet. There are also laws in several states regulating the weight of loaves of bread sold in that state and federal and state laws regulating the labeling of these products. You should check your state for these and other requirements. Additionally, there are federal requirements by the FDA applicable to manufacturing a food product. It is your responsibility to comply with any and all laws, rules and regulations applicable to your business.

Agent for Service of Process

Our agents for service of process are listed in Exhibit A to this Document.

Item 2

BUSINESS EXPERIENCE

DANIEL R. STERLING: Chairman, Director, and Founder.
Mr. Sterling has been a director of BFI since its inception in 1993 and was CEO until July 2006. From January 2006 to the present Mr. Sterling is a self-employed business consultant.

TIM MALOUF: President and CEO
Mr. Malouf has been the President of BFI since January 2006 and CEO since July of 2006. From July 2005 to January 2006 he held the title of Vice President. Before that time he was our Director of Research and Development since May 1998. From February 1995 to May 1998, he was our Director of Franchise Support. Mr. Malouf joined Breadsmith shortly after its inception in 1993.

KEVIN SCHUK: Vice President
Mr. Schuk has been our Vice President since June 2006 and had been the Director of Operations since June 2002. From September 2001 to June 2002, he was the Corporate Training Manager.

SANDY COPP: Creative Director
Ms. Copp has been our Creative Director since January 2010 and had been the Graphic Designer since April 2005.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

Item 5

INITIAL FEES

The Initial Franchise Development Fee is $30,000. Unless otherwise stated, all fees are paid to BFI and are nonrefundable and apply to both Primary and Satellite stores. BFI offers a reduced franchise fee in the amount of $27,000 to veterans of the United States military. If you will not be directly supervising and managing the store at least 40 hours per week, you must pay BFI a one-time nonrefundable Non-Owner Manager Fee of $5,000. You pay these entire fees to us in a lump sum when you sign the Franchise Agreement. You will also purchase your oven and other large initial equipment and small wares from us. The price for these items will range from $155,000 to $170,000, but may increase due to exchange rates, because certain equipment we sell to you is imported from Europe. There are no other fees or payments due to BFI for goods and services you receive before you open your franchised business.

The Development Fee for a satellite location is $5,000. You pay this entire fee to us in a lump sum when you sign the Satellite Store Franchise Agreement.

All the fees described in this section are non-refundable. We have waived the Initial Franchise Development Fee for franchises that are owned in whole or in part by officers, directors and employees of BFI and/or their immediate families.

Item 6

OTHER FEES

NAME OF FEE (Note 1)	**AMOUNT**	**DUE DATE**	**REMARKS**
Royalty	5% - 7% of total gross receipts	By the 10th day of each month, based on gross receipts for the prior month. (Note 2)	You initially pay a royalty of 7% of revenues from the retail sale of items baked, served or produced on your premises or at another of your locations,

NAME OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
			and 5% on all other sales (wholesale, bulk and prepackaged non-bakery items). The 7% royalty decreases to 6% in the second year of the operation of your store, and to 5% beginning the third year.
Transfer Fee	$7,500	$2,500 paid prior to our approval of the transfer and before training begins; $5,000 paid before transfer occurs.	This fee is due when you request to transfer control of the Franchise Agreement or your interest in your franchise or your business. The first payment is nonrefundable whether or not the transfer is completed.
Renewal Fee	$3,000	At least 240 days before your Franchise Agreement expires.	This fee is only due if you decide to renew your franchise.
Equipment Maintenance Fee/Spare Part charge	Will vary under circumstances	Upon receipt of invoice. You must pay us for special order spare parts before we process the order. (Note 2)	If we perform maintenance or repair services on any of your equipment or you order spare parts from us.
Ordering and Loyalty Program Fees	Presently $100 setup fee plus base fee of $300 per store per month and $25 gateway/integration fee per store per month; additional fees for messages and text messages sent by franchisee.	Setup fee must be paid prior to setup; all other fees paid by EFT on or before 10th day of each month.	This fee is for the mandatory participation in our Ordering and Loyalty Program.
Advertising	Up to 2% of gross receipts	(Note 2)	We may require you to spend up to 2% of gross receipts in local and/or cooperative advertising. Currently, we do not require you to spend any money on local and/or cooperative advertising.
Advertising Materials	Up to 2% of gross receipts	Annually	We may require you to spend up to 2% of gross receipts in local and/or cooperative advertising. Currently, we do not require you to spend any money on local and/or cooperative advertising.

NAME OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
Manager Training	Will vary under circumstances	As incurred	If we require you to use advertising from us or if you choose to, we may charge you for preparing and/or printing the advertising. We may also charge a fee for reviewing your advertising materials for approval. See Item 11 for additional information.
Non-Owner Manager Fee	$5,000	Before we train your manager.	The first time you appoint a manager to operate your store, you will pay a fee of $5,000.
Additional Training/On-Site Assistance	Cost of lodging, meals, transportation, plus daily fee	Upon receipt of invoice.	If you ask us to train additional people, you must pay for lodging, transportation, meals, and a daily fee for these people. At present, the daily fee is $400 per day, including travel days.
Late Payment Charges	1 1/2% per month on unpaid balances	Immediately after notice from us.	This fee is only due when other fees you owe us are not paid on time.
Late Report Charges	$100	On the 15th of the month if sales report is not filed.	Payable only if the monthly sales report is not filed when due.
Standards Non-Compliance Fee	$500-$2,000 per instance	(Note 2)	Payable if you are in default or non-compliance with a standard. The fine is $500 for the first instance, $1,000 for the second instance, and $2000 for subsequent instances of default or noncompliance. If an instance of default is not cured within 30 days, it shall be considered a new instance of default subject to the non-compliance fee.
NSF Fee	$100	Immediately after notice from us.	Payable if a check is returned NSF or if an EFT does not go through due to insufficient funds.
Supplier Investigation Fee	Currently, $500 per request	Upon receipt of invoice and before beginning investigation.	If you ask us to investigate a new supplier.
Audit Expenses	Cost of audit	15 days after receipt of audit report.	Payable only if you understate your gross receipts by 2% or more.

NAME OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
Management Fee	$500 per day	Upon provision of services.	If you are in default and we elect to manage your Business, you must pay us $500 per day plus all of our expenses.
Costs and Attorneys' Fees	Will vary under circumstances	When incurred by us.	If you are in default and we obtain an attorney to assist us; and if we are successful in any legal action you bring against us.
Future Royalties on Termination	Will vary under circumstances	Upon termination prior to expiration.	If the franchise agreement is terminated before its expiration, you are obligated to pay us future royalties equal to the average monthly royalties from the past twelve months multiplied by the number of months that remain in the franchise agreement's term at the time it is terminated.
Indemnification	Will vary under circumstances	As incurred.	You must reimburse us if we are sued or held liable for claims arising out of your store's operations, or if we have to pursue anyone associated with your store for misuse or dissemination of our confidential information.

Note 1. Unless otherwise stated, all fees are paid to us and are nonrefundable and apply to both Primary and Satellite stores.

Note 2. These fees are to be paid through a pre-authorized direct transfer account.

Item 7

YOUR ESTIMATED INITIAL INVESTMENT

FULL SERVICE PRIMARY STORE

TYPE OF EXPENDITURE (Note 1)	AMOUNT ESTIMATED LOW-HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Development Fee	$30,000 ($27,000 for veterans)	Lump sum	At signing of Franchise Agreement	BFI
Equipment and small wares (Note 2)	$155,000 - $170,000	Installments to us and by agreement with vendors	Before opening	BFI and Vendors

TYPE OF EXPENDITURE (Note 1)	AMOUNT ESTIMATED LOW-HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Leasehold Improvements and Fixtures (Note 3)	$192,000 - $215,000	By agreement with vendors	Before opening	Vendors
Opening Inventory (Note 4)	$4,000 - $7,500	Lump sum	Before opening	Suppliers
Signage (Note 5)	$5,000 - $8,000	By agreement with vendors	Before opening	Vendors
Security Deposits (Note 6)	$3,000- $6,000	Lump sum	Before opening	Landlord, Utilities, insurance
Promotion (Note 7)	$500 - $4,000	As incurred	Immediately before opening to 60 days after opening	Various Media, PR, suppliers
Pre-Opening Training (Note 8)	$5,000 - $7,500	As incurred	Before opening	Employees, airline, hotels and restaurants
Non-Owner Management Fee (Note 9)	$0 - $5,000	Lump sum	Prior to training of manager, if franchisee or a franchisee owner will not be directly managing the store at least 40 hours per week.	BFI
Miscellaneous (legal, insurance, permits, office supplies, tools, etc.) (Note 10)	$9,750 - $10,250	As incurred	Before opening	Attorneys, local gov., and vendors
Additional Funds (6mos.) (Note 11)	$4,000- $24,000	As incurred	During the first 6 months you operate your store	Various parties, including us, but excluding employees
TOTAL (Note 12)	$408,250 - $487,250 ($405,250 - $484,250 for veterans)			

Note 1. None of these payments are refundable.

Note 2. Equipment purchased from us is payable 60% upfront (with option to pay in full), 40% due net 30 from order, all other fees (customs, shipping, storage, install fee, etc.) as they occur. BFI Equipment pricing is based on Euro/USD exchange rate as of March 1st, 2023 and may vary due to

fluctuations in the rate. Some vendors may offer financing for a portion of equipment to qualified purchasers. Your investment in equipment, whether by purchase or lease, will depend on how you acquire and finance the equipment.

Note 3. We do not recommend that you acquire real estate for your BREADSMITH bakery. You should lease space in a well-maintained, high-traffic neighborhood shopping center. The typical BREADSMITH site is between 1,500 and 2,000 square feet. Rental rates vary for acceptable locations and may be between $15.00 and $40.00 a square foot, plus common area maintenance (CAM) charges. The cost of leasehold improvements will vary depending on location, local construction costs, zoning, deposits, and other factors. Our estimates assume a white box lease location. You must obtain our approval for the site before you sign a lease. These estimates include computer costs.

Note 4. You will need an initial supply of ingredients and supplies in your opening inventory. The estimated cost should cover approximately 2-3 weeks of operation. All supplies and inventory must meet our standards (See Item 8).

Note 5. Signage costs may vary by location, construction, size, color, material and individual contractor's specifications.

Note 6. The estimate includes deposits that may be refundable to you at a later time. In most cases, your lease will require you to pay electric, gas, water and other utilities directly; however, some landlords cover some utility charges through CAM fees or operating fees they include in the lease.

Note 7. The promotion cost estimate will vary with the type of media you choose to use. Costs also vary by location. Public relations event costs will also vary by type of event and location.

Note 8. This estimate includes the cost for you to travel to our office for initial training. It does not include any salary for you while training. The estimate includes a salary for new employees who train on location for one week before you open your store.

Note 9. If you will not be directly supervising and managing the store at least 40 hours per week, you must pay a one-time Non-Owner Manager Fee of $5,000, in addition to the manager's training requirements and other terms of the franchise agreement.

Note 10. The estimate also includes the premium on insurance for your business during preopening. You must maintain in effect an insurance policy with an "all insurance" carrier, naming us as an additional insured. The insurance must include public liability insurance in no less than $2,000,000 combined single limits for bodily injury and property damage, comprehensive and collision auto liability insurance with $2,000,000 combined single limit for both bodily injury and property damage, business interruption insurance for a period of at least 180 days, and all risk replacement coverage.

Note 11. This amount is an estimate of your initial start-up expenses. The estimate is based on an owner-operated business and does not include any salaries or benefits for the owner. It also does not include payroll costs for other employees. This amount includes the estimated expenditure for Ordering and Loyalty Program fees for the first six months.

Note 12. In putting together these estimates, we relied on the experiences of our newest franchisees to have opened stores, and the costs of the corporate store in Whitefish Bay, WI. We do not offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, your relationship with local banks, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest or debt service obligations you incur to finance your store.

SATELLITE STORE

TYPE OF EXPENDITURE (Note 1)	AMOUNT ESTIMATED LOW-HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Development Fee	$5,000	Lump sum	At signing of Satellite Franchise Agreement	BFI
Equipment and small wares (Note 2)	$25,000 - $35,000	By agreement with vendors	Before opening	Vendors
Leasehold Improvements and Fixtures (Note 3)	$50,000- $90,000	By agreement with vendors	Before opening	Vendors
Opening Inventory (Note 4)	$1,000 - $2,000	Lump sum	Before opening	Suppliers
Signage (Note 5)	$5,000 - $8,000	By agreement with vendors	Before opening	Vendors
Security Deposits (Note 6)	$2,000-$4,000	Lump sum	Before opening	Landlord, Utilities, insurance
Promotion (Note 7)	$500 -$4,000	As incurred	Immediately before opening to 60 days after opening	Various Media, PR, suppliers
Miscellaneous (legal, insurance, permits, office supplies, tools, etc.) (Note 8)	$2,000-$4,500	As incurred	Before opening	Attorneys, local gov., and vendors
Additional Funds (6mos.) (Note 9)	$5,000- $10,000	As incurred	During the first 6 months you operate your store	Various parties, including us, but excluding employees
TOTAL (Note 10)	$95,500 - $162,500			

Note 1. None of these payments are refundable.

Note 2. Some vendors may offer financing for a portion of equipment to qualified purchasers.

Your investment in equipment, whether by purchase or lease, will depend on how you acquire and finance the equipment.

Note 3. We do not recommend that you acquire real estate for your BREADSMITH bakery. You should lease space in a well-maintained, high-traffic neighborhood shopping center. The typical BREADSMITH Satellite site is between 800 and 1,200 square feet. Rental rates vary for acceptable locations and may be between $15.00 and $40.00 a square foot, plus common area maintenance (CAM) charges. The cost of leasehold improvements will vary depending on location, local construction costs, zoning, deposits, and other factors. Our estimates assume a white box lease location. You must obtain our approval for the site before you sign a lease.

Note 4. You will need an initial limited supply of ingredients and supplies in your opening inventory. The estimated cost should cover approximately 2-3 weeks of operation. All supplies and inventory must meet our standards (See Item 8).

Note 5. Signage costs may vary by location, construction, size, color, material and individual contractor's specifications.

Note 6. The estimate includes deposits that may be refundable to you at a later time. In most cases, your lease will require you to pay electric, gas, water and other utilities directly; however, some landlords cover some utility charges through CAM fees or operating fees they include in the lease.

Note 7. The promotion cost estimate will vary with the type of media you choose to use. Costs also vary by location. Public relations event costs will also vary by type of event and location.

Note 8. The estimate also includes the premium on insurance for your business during preopening. You must maintain in effect an insurance policy with an "all insurance" carrier, naming us as an additional insured. The insurance must include public liability insurance in no less than $2,000,000 combined single limits for bodily injury and property damage, comprehensive and collision auto liability insurance with $2,000,000 combined single limit for both bodily injury and property damage, business interruption insurance for a period of at least 180 days, and all risk replacement coverage.

Note 9. This amount is an estimate of your initial start-up expenses. The estimate is based on an owner-operated business and does not include any salaries or benefits for the owner. It also does not include payroll costs for other employees. This amount includes the estimated expenditure for Ordering and Loyalty Program fees for the first six months.

Note 10. In putting together these estimates, we relied on the experiences of our newest franchises to have opened stores, and our current costs. We do not offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, your relationship with local banks, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest or debt service obligations you incur to finance your store.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

All equipment, insurance, fixtures, leasehold improvements, pictures, supplies, inventory, foods, ingredients, computer hardware and software, and signs you purchase for use or sale in your business must meet our specifications. Those specifications may include minimum standards for delivery, performance, design, appearance, and quality. We will issue specifications to you before you begin operating. We may include these specifications in our confidential manuals that we loan to you, or we may issue them separately. While we do not have specifications for local advertising you create to promote your business, you must obtain our approval before you use any advertising materials you prepare.

Since most of the items you will purchase to begin operating a BREADSMITH bakery must meet our specifications, you can expect that the items you purchase in accordance with our specifications will represent 100% of the total purchases you will make to begin operations. Once you begin operating, the primary items you will purchase that must meet our specifications are food ingredients and supplies. We would expect these items to represent between 25% and 30% of your total annual expenses.

You are required to purchase the computer equipment as described in Item 11 to operate your store and we require you to purchase the Revel iPad Register System as described in Item 11.

Required and approved suppliers

We are the only approved supplier for the oven and mixer you will need to purchase for your store. We sell these items at prices we believe to represent a reasonable wholesale markup. Neither we nor our officers have any interest or ownership in any other supplier for your business.

For all other items, we will provide the required manufacturer and model number. We will also suggest approved suppliers for many of the other items you will need to purchase. We will give you lists of approved suppliers before you begin operating your business.

We initiated the Breadsmith Equipment Program in 2004. Under this program, every 12 months we will provide you with one preventative maintenance service visit for each outlet you own. During this visit, we will perform routine preventative maintenance on your oven and mixer. If you request, during the first visit we will also provide your local maintenance person with 1 hour of training on the repair and maintenance of certain equipment you may be using in your franchised business. We do not currently charge for this training, but may in the future. During a preventative maintenance visit, we will also provide you with a list of recommended repairs that you may want to make to your equipment. We do not charge you for labor for this visit, but you must pay our rates in effect at the time of the visit for parts and materials.

We also offer equipment repair services under this program. If our technician is performing a preventative maintenance visit in your market, and you request we perform equipment repairs at your bakery, the technician will perform the repairs on your equipment at this time, if the

technician is available. You must pay our rates in effect at the time of the repairs for labor, parts and materials. If you request repairs at a time when our technician is not scheduled to be in your market for a preventive maintenance service visit, we will schedule the repairs within approximately 4 weeks of the date you ask us to schedule a technician's appointment at your bakery. You must pay our rates for labor, parts and materials in effect at the time we schedule the appointment. Because our technician will be making a special trip to your store to make these repairs, you must also pay us the travel charge, per diem charge, and truck fee in effect at the time we schedule the appointment.

You may also purchase from us certain spare parts you need to repair certain pieces of your equipment. We only offer spare parts for the repair of the oven manufacture that we currently sell. Some of the older stores have a different brand of oven that was approved before we began supplying the current oven. You will be issued an invoice for any spare parts that you order from us. An EFT draft is drawn on the 20th of each month for any parts or equipment service performed between the 16th of the preceding month and the 15th of the current month. We have the right to modify or terminate this program or any portion of this program at any time and for any reason.

We operate an Ordering and Loyalty Program, in which you are required to participate. Under this program, you will accept and process online orders and manage your store's loyalty program and campaigns. We have the right to modify or terminate this program or any portion of this program at any time and for any reason.

In order to reduce ingredient costs, we have negotiated a national distribution agreement with Dawn Foods. Our agreement requires you to purchase all of your Breadsmith Flour and 80% of all other ingredients through them.

Approval of alternative suppliers

If you want to purchase any items from suppliers other than those we have approved, you must first obtain our approval. Before giving our approval, we may ask the supplier to provide samples of materials they wish to provide to you, and we may investigate the ability of the supplier to provide materials that meet our specifications. We charge you a fee, currently $500, to conduct the investigation. If the product meets our standards for quality, ease of distribution, and margin profile, we will generally approve it for selected test marketing in different regions. If the product does well, we will then generally approve it for use throughout the system. The entire review process usually takes 3 to 6 months. We also have the right to revoke approval of the supplier at any time. We will notify you in writing if we determine to revoke approval of a previously approved supplier. We do not publish criteria for supplier approval.

Revenue from franchise purchases

In our last fiscal year, ended December 31, 2022, we received revenues of $222,251.69, or approximately 16% of our total revenues of $1,351,050.02 from the sale of goods or services to our franchisees. We may also receive rebates from some suppliers, ranging from 1% to 5% of the price you pay for goods from that supplier. We use those rebates to reduce expenses for our annual franchise convention and for marketing purposes. We do not have any affiliates that sell goods or

services to you or that receive any rebates.

Cooperatives

We have not arranged any purchasing or distribution cooperatives for our franchisees.

Negotiated prices

BFI attempts to negotiate purchase arrangements with suppliers (including price terms) for the benefit of franchisees. The arrangements include special contract pricing, volume discounts and specific discounts from regular wholesale prices. We cannot guarantee that any special pricing or discounts will be available in a particular market.

Material benefits

We do not provide any special benefits to franchisees based on their use of any approved supplier.

Suppliers

The officers of the franchisor do not own any interest in any supplier other than any interest it owns in the franchisor.

Insurance

You must maintain in effect an insurance policy with an "all insurance" carrier, naming us as an additional insured. The insurance must include public liability insurance in no less than $2,000,000 combined single limits for bodily injury and property damage, comprehensive and collision auto liability insurance with $2,000,000 combined single limit for both bodily injury and property damage, business interruption insurance for a period of at least 180 days, and all risk replacement 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 Franchise Agreement/Satellite Store Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sect. I.A.1/IV	Items 6, 7 and 11
b. Pre-opening purchases/leases	Sect. V	Items 7 and 8

Obligation	Section in Franchise Agreement/Satellite Store Agreement	Disclosure Document Item
c. Site development other pre-opening requirements	Sect. V/VII.J	Items 6, 7 and 8
d. Initial and ongoing training	Sect. VI/VI	Items 6, 7 and 11
e. Opening	Sect. V/V	Item 11
f. Fees	Sect. III/XIV	Items 5 and 6
g. Compliance with standards and policies/manuals	Sect. VII/VIII/XV/XVI	Items 8 and 11
h. Trademarks and proprietary information	Sect. VII/XVIII	Items 13 and 14
i. Restrictions on products/services	Sect. VII/IX	Items 11 and 16
j. Warranty and customer service requirements	Sect. VII/VII	Item 11
k. Territorial development	Sect. I/I	Item 12
1. Ongoing product/ service purchases	Sect. IX/IX	Item 8
m. Maintenance, appearance and remodeling required	Sect. V/VII	Item 6, 8
n. Insurance	Sect. X/X	Item 6, 7 and 8
o. Advertising	Sect. XI/XII	Items 6, 7, 8 and 11
p. Indemnification	Sect. V/XIII	Item 6
q. Owners participation/ management/staffing	Sect. VII/VII	Items 11 and 15
r. Records and reports	Sect. VII/ XV/XVI	Items 6 and 11
s. Inspections and audits	Sect. VI/XVI	Items 6 and 11
t. Transfer	Sect. XVII	Item 17
u. Renewal	Sect. II/II	Item 17
v. Post-termination obligations	Sect. VIII/XIX/XXIII	Item 17
w. Non-competition covenants	Sect. XIX/XIX	Item 17
x. Dispute resolution	Sect. XXIV/XXIV	Item 17

FINANCING

We do not offer direct or indirect financing. We do not guarantee any note, lease or other obligation you might incur.

Item 11

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

Except as listed below, Breadsmith Franchising, Inc. is not required to provide you any assistance.

Pre-Opening Assistance

Before you open your store we will:

(a) Designate an area in which you will operate your business. (Franchise Agreement - Section I.B).

(b) Provide to you a sample layout for the interior of a BREADSMITH bakery in AutoCAD format and the core specifications, and consult with you, if you request, on the construction and equipping of your bakery (Franchise Agreement -Section V.B).

(c) Provide to you lists of specific or approved suppliers for the equipment you must purchase, and sell to you ovens and initial equipment (Franchise Agreement -Section V.E/V.G).

(d) Provide to you an initial training program at a BREADSMITH bakery in the Milwaukee, Wisconsin metropolitan area, at no charge (Franchise Agreement - Section VI.A).

(e) So long as you coordinate the opening date of your store with us sufficiently in advance, conduct an on-site training program (see Training Programs later in this Item 11 for further details) (Franchise Agreement - Section VI.B).

(f) Loan to you our recipe books and manuals (Franchise Agreement - Section VII.B). The current manuals include a Training/Operations Manual, the Breadsmith Shaped-Breads Program Manual, a Development Handbook and the Cut Sheets Manual. Copies of the Tables of Contents of these manuals are attached to this Disclosure Document as Exhibit B. There are other manuals available that will be loaned upon request as necessary for your store.

Post-Opening Assistance

During the operation of your store, we will:

(a) Provide to you our guidelines for solicitation of bulk and wholesale accounts and

consider you for approval to sell breads to bulk and wholesale accounts in your Designated Territory (see Item 12 for definition of Designated Territory) (Franchise Agreement - Section VII R.1).

(b) Develop baked goods and other food and retail products you can prepare in your store for sale to your customers. We will also develop standards and specifications for preparing baked goods and other food and retail products you will sell in your store (Franchise Agreement - Section VII.A).

(c) Inspect your store periodically to enhance uniformity and quality control (Franchise Agreement - Section VI.G).

(d) Evaluate sources of supplies you want to use for your business (Franchise Agreement - Section IX.B).

(e) Send to you institutional public relations, advertising and promotional campaigns you can use in your business (Franchise Agreement - Section XI).

(f) If we sell prepackaged bakery products under the BREADSMITH name to other stores located within 2 miles of your store, pay you a royalty equal to 5% of the gross receipts we receive from the sale of these products to those stores (Franchise Agreement - Section I.B).

(g) Develop standardized reporting forms, including daily register reports and weekly, monthly and other standardized forms, for you to use in your business (Franchise Agreement - Section XVI).

(h) Provide training of approximately 1-3 weeks to anyone you designate to manage the store when you are either not able to, or decide not to, manage the business full time (Franchise Agreement - Section VI.D).

(i) You set your own prices and must include appropriate sales tax on each item sold, but we may recommend certain prices to assist you in establishing a proper price structure for your products. Vending or other operated machines are not permitted without our prior written consent.

Advertising

At this time, we do not require you to contribute to an advertising fund. We may require you to spend up to 2% of your gross receipts on local promotions to enhance the reputation of your business on a local level. We do not purchase any national, local, or regional advertising to promote BREADSMITH stores.

We may develop and provide you with digital and/or print copies of advertising, marketing, and promotional campaign materials that you can use to promote your business consistent with policies and rules that we may establish, and we may require you to use them. We may charge you for all materials that we prepare and print for you. We may allow you to create your own advertising and marketing materials. If you create your own materials, you must obtain our

approval before using the materials. We do not currently charge a fee for reviewing your materials for approval, but we reserve the right to do so in the future. You agree to cease using any materials that we specify at the time we instruct you to do so and you acknowledge that this may result in unused advertising materials that you paid for being disposed. We currently source and sell to you stickers and other items used in marketing your products and business. In some situations we will provide the artwork and allow you to have them printed locally.

You must cooperate with us and with other franchisees in any cooperative advertising program. However, we do not require you to spend more than 2% of your gross receipts each year on local advertising, including cooperative advertising. We have the right to form, change, dissolve, and merge local advertising cooperatives at any time. At this time, however, we do not have any cooperative advertising programs and we have not defined how they would be administered. We do not have any advertising council that advises us on advertising policies.

Computer, Cameras and Cash Register Requirements

BFI has developed a uniform system of accounting and record keeping that you must use. Because of this, we require that you purchase a Revel iPad Register System Point of Sale System and cash registers to use in your business. We have been using this system since October of 2012. This system not only records sales, but will also assist with a variety of reports that you will use in your business, including, but not limited to, detailed sales by product, sales by day, sales by hour, and transaction count information. The Revel system incorporates several customizable reports that will aid you in the daily management of your business. Revel also has many online training materials available for subscribers. Revel offers 24-hour online tech support and phone support during normal business hours. As of June 2022, the monthly fee for the Revel POS system was approximately $275 per store. This fee covers ongoing support, cloud hosting, and software licensing.

You are required to be able to accept credit cards and gift cards as methods of payment. Breadsmith has negotiated enterprise pricing with Heartland Payment Systems, whom you are required to use for your credit card and gift card processing. Because of this, you must provide the ability to process credit cards and gift cards in one of two forms. First, you can purchase the hardware and programming that will integrate credit card and gift card transactions into the Point of Sale system. This will be available through Revel. You can also choose to purchase a stand-alone credit card machine through our approved credit card and gift card processor. We may require you to have all gift card-related deposits directed to a central system-wide account that we control.

You will be required to purchase and maintain, at your own expense, such computer hardware, printers, modems and other related computer accessories to run various software programs. The computer must run Microsoft Windows and have the capacity to run all of the following programs quickly and efficiently: Microsoft Word, Microsoft Excel, QuickBooks or another approved accounting software, high speed internet access and an e-mail program. Generally, we will require you to purchase a new computer system that has sufficient memory, RAM, and an operating system to run all of its required programs in an efficient manner. We will provide you with our minimum requirements for a computer system we believe necessary to run these programs. We may require that you upgrade your system from time to time to maintain the

sufficient computer hardware to sufficiently run all of our required programs. We may change our requirements from time to time but will provide you with adequate notice of any change. Your computer will be used for recipe planning, word processing, calendar promotion, performance tracking, e-mail correspondence and to prepare spreadsheets. If you want to use other software with your computer, you must first submit information to us showing the software will perform the same functions as those we require or recommend and obtain our approval.

We will have independent access to the data you collect in your computer, Point of Sale system, and cash register system. There are no limits on our right to access this information.

We do not offer IT support. We recommend that you investigate options for local technology maintenance and support arrangements if you are not comfortable with the required computer systems and programs. Because costs vary significantly, we cannot estimate the cost of obtaining this support.

We may require you to upgrade or update your cash register and computer hardware and software at any time during the franchise term. We will always give you at least 60 days' notice before you have to purchase these upgrades. There is no other contractual limit on the frequency and costs of software upgrades, but we will not require you to upgrade your computer hardware (unless the cost is less than $500) more than once every twenty-four months (unless it does not work and you determine it is not feasible to fix it, in which case you must upgrade to meet our then-current standards). The cost for purchasing the computers and Point of Sale systems is approximately $4,000 - $7,000.

You will be required to purchase and install security cameras with a recording device meeting our current requirements before your store can open. The camera system must allow remote access and you must provide us with the connection information as well as any software needed to view the recording device and cameras. We use the access to the cameras to help you troubleshoot production issues that happen throughout the night as well as any general business assistance that you may need.

Site Selection

In most cases, a site for your store will not be identified at the time you sign your Franchise Agreement. We will give you an area in which your business will operate, and you must find a site for your store in that area. You must obtain our approval before you acquire any site. You must also sign a Collateral Assignment of Lease Agreement, assigning us an option on the lease for your store if your Franchise Agreement terminates, expires without renewal or you sell your store. (See Exhibit 2 to Franchise Agreement.) You also must obtain our approval of final store plans and specifications before you start construction. If you do not select a site, obtain our approval for that site, and open your store, all within 270 days after you sign your Franchise Agreement, we have the right to terminate that Agreement. Our approval is not a guarantee or representation that the site will be a good one. In deciding whether or not to approve a site, we will consider the size of the site, visibility, convenience, accessibility, parking, population of area, income/education of area residents, traffic count, proximity of the site to other BREADSMITH stores, the general business area surrounding the site, and location in strip mall, if applicable. We will make 1 visit to your area to provide site review of potential sites. There is

no time limit for us to approve a site, but it usually takes less than 30 days. We estimate the time between the date you sign your Franchise Agreement and the date your store opens to be approximately 6 to 12 months, but this time will vary depending on how long it takes you to find a site and begin construction of your store.

Operating Manual

We will loan you a copy of our recipe books and manuals (Franchise Agreement - Section VII.B). The current manuals include an Operator's Manual, the Breadsmith Shaped-Breads Program Manual, a Development Handbook and Cut Sheets Manual. Copies of the Tables of Contents of these manuals are attached to this Disclosure Document as Exhibit B. As of December 31, 2020, the Operations Manual had 290 pages. There are other manuals available that will be loaned upon request as necessary for your store. These manuals are confidential and remain the property of Breadsmith. Breadsmith will modify these manuals but the modification will not alter your rights or status under the Franchise Agreement. Manuals may come in paper or electronic form.

Training Programs

We will provide an initial training program to you and if you choose, to one other of your employees or representatives that you select to join you in the program. We conduct the program at a BREADSMITH bakery in the Milwaukee, Wisconsin metropolitan area. The training program lasts approximately 3 weeks. You must attend and complete this initial training to the franchisor's satisfaction before you open your store. There is no cost for this training, but you must pay for travel and living expenses you and your employee incur in attending the training. We do not have a regular schedule for this training; we provide it on an as needed basis. The training may be in a group format with other franchisees. The training will usually begin 7 to 11 weeks before your bakery is ready to open.

The following is a breakdown of the training program provided to new franchisees as of the end of our last fiscal year, December 31, 2020.

TRAINING PROGRAM

Subject	Approximate Hours of Class Training	Approximate Hours of On-the-Job Training	Location
Breadsmith Baking Fundamentals	0	16	Whitefish Bay, WI
Retail	4	12	Whitefish Bay, WI
Wholesale	3	1	Whitefish Bay, WI
Point of Sale/Business Operations	4	4	Whitefish Bay, WI
Human Resources	3	0	Whitefish Bay,

			WI
Menu Development/Planning	8	0	Whitefish Bay, WI
Mixing and Production	0	51	Whitefish Bay, WI
Baking	0	31.5	Whitefish Bay, WI
Marketing	4	0	Whitefish Bay, WI
TOTALS	**26**	**115.5**	

The instructional materials we use for this training include a training program syllabus we will send to you before you begin training, a recipe program we have compiled on disk, and our confidential manuals.

We will also provide an onsite training program to you for your primary Breadsmith. That training program will typically begin approximately 7 days before you open your business and continue for approximately 12 days. The training will not, however, be offered the week before and the week of the Breadsmith Conference, between the third (3rd) week of November through January 1st, or during weeks that Easter, Memorial Day, 4th of July or Labor Day fall. That training program is less formal; the subjects and time spent on each depends on your needs. We will provide onsite support for a satellite location for approximately 5 days; however, it cannot fall in the same timeframe listed above. Your store must at all times be supervised full-time by a person who has completed our training. Your first manager can attend our initial training program with you at no additional cost. However, if you appoint a manager at a later date, or if your initial manager leaves and a new manager must be trained, your manager must attend and satisfactorily complete a separate manager training program. We do, however, offer a condensed training program of 1 or 2 weeks for new managers. You must pay us $500 per week for this training. You must pay for the salary, travel and living expenses for your manager to attend the training. We do not have a regular schedule for this training; we provide it on an as needed basis. The training may be in a group format with other managers. The following is a breakdown of the training program provided to new managers as of the end of our last fiscal year, December 31, 2020.

MANAGER TRAINING PROGRAM

Subject	Approximate Hours of Class Training (1 week/2 week)	Approximate Hours Of On-The-Job Training (1 week/2 week)
Breadsmith Baking Fundamentals	(0/0)	(0/8)
Retail	(0/4)	(0/8)
Wholesale	(0/4)	(0/4)
Human Resources	(0/4)	(0/0)
Menu Development/Planning	(0/8)	(0/0)
Mixing and Production	(0/0)	(24/24)

Baking	(0/0)	(16/16)
Marketing	(0/4)	(0/0)
TOTALS	**(0/24)**	**(40/52)**

The people who provide these training programs are members of our staff. One person will be assigned to coordinate the training, and that person will take you through the various aspects of the program. Each of the people who coordinate and conduct this training have either a minimum of 5 years' experience in food service or have managed a BREADSMITH bakery for at least 12 months, and they each therefore have at least that much hands-on experience in each of the subjects they teach. We do not require you to attend any additional training programs.

We will also make available additional training at your store if we have personnel available to provide the training. We charge a daily rate (presently $400) for this additional training, and you must pay for the travel and living expenses of the person or persons who provide the training. Daily rate includes travel days and is scheduled in 5-day sessions.

Item 12

TERRITORY

You are given the right to operate a BREADSMITH business in an area we will designate. You will have the right to open one store in that area. In some cases, we will identify this location at the time you sign your Franchise Agreement. In most cases, we will only designate a nonexclusive search area in which you may locate your store, but the actual site will not be determined until after you sign the Franchise Agreement. The search area is usually a portion of a county, but you do not have any exclusive right in this search area and we will have the right to offer other franchises, open company-owned stores, and solicit bulk and wholesale accounts in that area. Once you select a site in your area that we approve, we will attach an exhibit to the Franchise Agreement designating that site as the location for your BREADSMITH bakery.

Once we approve and designate a site for your store, we will also designate an exclusive territory, which we call your "Designated Territory." Your Designated Territory will be 5 miles surrounding your store. We measure this distance by roads an automobile would travel from one location to another. If the site is in a regional shopping mall consisting of at least 500,000 square feet of space, with at least 2 department stores as anchor tenants, then your Designated Territory will only be within the physical boundaries of the shopping mall. If you open a store within 5 miles of a shopping mall, your Designated Territory will be 5 miles surrounding your store, excluding the physical boundaries of shopping mall. We will not grant anyone else a franchise to operate, and we will not operate, a bakery selling hearth baked products, either under the BREADSMITH name or under any other name, in your Designated Territory. However, we do have the right to open a BREADSMITH bakery, or any other business, or to award a franchise for any other person to open such a business, at any location outside your Designated Territory, even if that business competes with you for customers within your Designated Territory. Your continuation of this exclusive territory does not depend on achieving a certain sales volume. You do not have any options, rights of first refusal, or similar rights in the franchise agreement to purchase additional BREADSMITH bakeries.

We may grant you the right to open a satellite location if we choose. Product will be made at the primary store and delivered and sold at the satellite store. If we grant you the right to open a satellite location, you will be granted a location and Designated Territory in the same manner as provided for your store.

After your store opens, if we approve you to sell fresh breads to bulk and wholesale accounts, you may also begin soliciting bulk and wholesale accounts in your Designated Territory and sell fresh breads to those accounts. We typically will not approve you to sell to bulk or wholesale accounts until your store has been open for at least 3 months. If we negotiate an agreement to sell fresh breads to a national or regional bulk or wholesale account that has outlets in your Designated Territory, we will offer you the right to sell fresh breads to those outlets. If you decide not to service the account, or fail to do so, or if you do not meet our standards, or if the account or its customers complain about your service, then we have the right to sell breads to the outlets of that account in your Designated Territory and to service those outlets, either ourselves, or by assigning someone else to service the account. We also have the right to solicit, establish and service bulk and wholesale accounts, or to award a franchise or any other person and allows them to solicit, establish and service bulk and wholesale accounts, outside your Designated Territory.

We may allow you to sell fresh breads to wholesale and bulk accounts outside your Designated Territory, if those accounts are located at least 1 mile away from any territory we have granted to any other franchisee, and at least 3 miles from any stores we or our affiliates operate. If we allow you to sell fresh breads to a bulk or wholesale account outside your Designated Territory, it is only on the condition, and with the understanding, that if we establish another franchisee with a Designated Territory that is within 1 mile of any of your bulk or wholesale accounts, or we or our affiliates establish a company-owned store within 3 miles of any of those accounts, then you must assign those accounts to the new store. You do not, and cannot, establish any permanent rights outside your Designated Territory and under no circumstances do you have the right to sell any item to any retail location.

We reserve to ourselves the right to sell (and to assign to anyone else the right to sell) fresh and frozen bread, bread related items such as flour, pizzas, grains, cookies and cookie dough, muffins and dipping oils, jams and croutons, and non-bread items such as cooking utensils, under the BREADSMITH name or under any other name, (i) to any person or account, wherever located, through telephone, mail order, and on-line services, and (ii) through stores located outside your Designated Territory. However, if we receive orders by telephone, mail order or online services from persons requesting delivery in your Designated Territory, we will give you the first opportunity to fill the order, and we will not fill the order, or reassign it, unless you tell us you do not intend to fill the order, or you do not fill the order within 24 hours after we provide the order to you. We also reserve the right to sell (and to assign to anyone else the right to sell) frozen dough, frozen par baked bread, frozen bread, frozen pizzas, and other items through supermarkets, department stores and specialty retail stores, if at least 80% of the revenues of those stores are generated from products we typically do not offer in our stores, even if those stores are located in your Designated Territory. We also reserve the right to operate or to franchise other concepts, including those that involve hearth-baked products, such as pizzas, under different trademarks, either in your Designated Territory or in any other area.

In addition to the rights we have above, we reserve the right to sell prepackaged bakery products

under the BREADSMITH name through any means, including the Internet, to grocery stores, convenience stores, department stores, and other stores that offer prepackaged breads, either in your Designated Territory, or in any other area. However, if we sell these items to any store that is located within your designated territory, we will pay you a royalty equal to 5% of the gross receipts we receive from the sale of these products to that store.

You do not have any right to use other channels of distributions such as telemarking, direct marketing, catalog sales or sales through the Internet, to make sales outside of your Designated Territory other than listed above.

Except as otherwise stated in this section, we have no obligation to pay you any compensation for soliciting or accepting orders in your Designated Territory. If you want to relocate your store, you must first obtain our consent. We will not unreasonably withhold our consent as long as the new site is acceptable to us, is similar in size, is not in an area in which commitments have already been made to other franchisees or for company-owned stores, and if it is not within 1 mile of the designated territory of another retail BREADSMITH bakery that is open or under development.

Item 13

TRADEMARKS

You are given the right to operate a BREADSMITH store, and to service bulk and wholesale accounts in a specified territory, using the trade names, trademarks and service marks that we establish for use in the BREADSMITH system. You must follow our rules when you use our marks. You cannot use any of our names or marks as part of a corporate name or with modifying words, designs or symbols, except for those we license to you. You may not use any of our names or marks for the sale of any unauthorized product or service or in a manner we have not authorized in writing.

We have two principal trademarks. The first is the mark "BREADSMITH." On October 14, 2008, we registered this mark on the Principal Register of the United States Patent and Trademark Office, registration number 3,515,771.

The second is the mark "BREADSMITH HAND MADE. HEARTH BAKED", and accompanying design:

On December 30, 2008, we registered this mark on the Principal Register of the United States Patent and Trademark Office, registration number 3,553,205. We have filed all of the required affidavits and declarations for these marks. We have filed the necessary renewals for each of our trademarks.

There are presently no other effective material determinations of the Trademark Administrator of this state or any court regarding our principal marks. There are no agreements currently in effect

that significantly limit our right to use or license our marks. We are not aware of any infringing uses that could materially affect your use of our marks. If you learn of any infringement or challenge to the use of our marks, you must immediately notify us. We will take the action that we think is appropriate. We will control all litigations and dealings with this mark. We are not obligated, by the Franchise Agreement or otherwise, to protect your right to use any marks. We will, however, protect you against claims of infringement or unfair competition against you from your use of our marks as long as you are properly using them. We will have the right in this situation to take any action which we think is appropriate to handle the claim.

We reserve the right to adopt new marks at any time, or to change our marks. If we adopt new marks, or change our existing marks, you must use the new or modified marks, and discontinue the use of any marks we decide to change or discontinue.

Item 14

PATENTS AND COPYRIGHTS AND PROPRIETARY INFORMATION

BFI does not own any rights in or to any patents that are material to the franchise. We do claim copyright protection of our manuals, and to advertising and promotional materials, forms and related materials that we produce, although we have not registered these materials with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only under the terms of your Franchise Agreement.

There are no currently effective determinations of the Copyright Office of the Library of Congress or any court regarding any of our copyrighted materials. There are no agreements in effect that significantly limit our right to use or license our copyright materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights.

We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets. This will include information contained in our manuals, and other materials we will separately provide to you. You may use these materials, in the manner we approve, to operate your BREADSMITH bakery during the term of your Franchise Agreement. However, you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include any trade secrets, knowledge or know-how, confidential information, advertising, marketing, designs, plans, and methods of operation. They include information about our sources of supply, and our recommendations on pricing. You may disclose this information to your employees, but only to the extent necessary to operate your business, and then only while your Franchise Agreement is in effect.

Item 15

OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We recommend that you (if you are a sole proprietorship) or a designated partner (if you are a partnership) or a designated managing officer (if you are a corporation or limited liability company), devote your full-time efforts to the supervision of your BREADSMITH business. If you determine not to do so, then you must appoint a full-time manager, and the manager must complete a 3-week training program we will provide (see Item 11 - Initial Training Programs). In this case, you must also pay a one-time fee of five thousand dollars ($5,000) prior to commencement of the manager's training ("Non-Owner Manager Fee"). If that person leaves your employment, you must either supervise the business yourself on a full-time basis or appoint another manager and have that manager complete a 1-3-week training program we will provide at your cost. In addition, you or a trained, qualified representative must be personally involved in all bulk and wholesale accounts. If you decide to open one or more satellite locations each location must have a designated manager for the location. Additionally, at all times either yourself or the manager must either work at or be immediately available to others working at any satellite store.

You must ensure that the managers that you hire in your business each sign a written agreement to maintain confidentiality of the trade secrets described in Item 14. You must also ensure that the managers you hire comply with the covenants not to compete contained in your Franchise Agreement. You must impose the restrictions contained in the respective agreements as related to confidentiality and non-competition on your managers and any employees that have access to any confidential information or trade secrets. We do not require that your managers own any equity in your business. If your manager will operate the business, your manager must complete our training program.

If you are a corporation or limited liability company, each shareholder of the corporation or member of the limited liability company must sign the guaranty attached to the franchise agreement, guaranteeing the obligations of the franchise.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

In order to ensure the uniformity and high-quality products of BREADSMITH bakeries, you must prepare and bake all items (and only those items) on your BREADSMITH menu unless changes are approved in writing by BFI. You must maintain a sufficient inventory of these items to meet the reasonable demands of your customers, and at all times maintain in stock the day's daily bread or breads. You may not add any items without our consent. We have the right to change these items at any time, without limitation. You may not operate any other business at or from your BREADSMITH bakery without our prior written consent.

You set your own prices and must include appropriate sales tax on each item, but we may recommend certain prices so as to assist you in establishing a proper price structure for your products. Vending or other operated machines are not permitted without our prior written consent.

We do not impose restrictions on the type of customer that you may serve in your retail store. However, we do have restrictions on bulk and wholesale sales. You may not sell to any bulk or

wholesale account until your retail store is open and we have given you our approval to service bulk and wholesale accounts. We will not typically approve any such sales until your store has been open for at least 3 months. Even then, you may only sell breads and bread products to those accounts. You also may not sell to or service any bulk or wholesale account located outside your Designated Territory (see Item 12 for a description of territories) without our additional consent to each specific account, and we have the right to withhold that consent for any reason. If we give you consent to service a bulk or wholesale account, we may revoke that consent at any time. You may only sell to your bulk and wholesale accounts the specific breads and bread products we approve for sale to bulk and wholesale accounts. In addition, if you do not follow our rules, regulations and standards for bulk or wholesale accounts, you can lose the right to sell to these accounts. These standards are important to us because they help assure that all our products maintain their freshness and quality. There are no limits on our right to set or modify any standards. Because these standards are important to us, we may require you to have agreements with your bulk and wholesale accounts as to what they do with the product, and you will have to stop selling to any bulk or wholesale accounts that violate these agreements.

Item 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement/Satellite Store Agreement	Summary
a. Term of the franchise	Sect. II.A.	15 years
b. Renewal or extension of term	Sect. II.B.	If you have complied with all the terms and conditions of your Franchise Agreement, you may renew for one additional term of 15 years.
c. Requirements for you to renew or extend	Sect. II.B.	In order to renew your franchise (continue to operate a Breadsmith store for an additional 15 year term), you must tell us at least 240 days in advance, pay a renewal fee, sign a new agreement which may have materially different terms and conditions from your original agreement, make any necessary expenditures to renovate and modernize your store, and execute a general release. If the Franchise Agreement is not terminated and you do not renew, it will be considered a month-to-month contract cancelable by either

Provision	Section in Franchise Agreement/Satellite Store Agreement	Summary
		party, and royalties will be 7% of all sales (retail and wholesale).
d. Termination by you	Sect. XXII	You may terminate your Franchise Agreement only if we default and do not cure our default after receiving notice from you.
e. Termination by us without cause	None	
f. Termination by us with cause	Sect. XXI.	We can terminate only if you default.
g. "Cause" defined - curable defaults	Sect. XXI.	Most defaults can be cured within 30 days after notice. Monetary defaults must be cured within 10 days. We can impose a fee on instances of standards violations, noncompliance, and default.
h. "Cause" defined - defaults which cannot be cured	Sect. XXI.	Bankruptcy, abandonment of your store(s), unauthorized disclosure of confidential information, insolvency, liens placed on you or your assets that are not removed within 30 days, criminal misconduct, impairment of our goodwill, misuse of our trademarks, repeated defaults, failure to operate your store, violation of non-competition covenants, understatement of sales, fraud, misrepresentation in your application, use or sale of unauthorized produces or services, and making unapproved purchases.
i. Your obligations on termination/non-renewal	Sect. XXII.	Obligations include complete deidentification, returning of proprietary items and payment of amounts due (also see r. below). For termination, you must pay us future royalties.
j. Assignment of contract by us	Sect. XXVI.K	No restriction on our right to assign.
k. "Transfer" by you - definition	Sect. XVII.A.	Includes transfer of contract, transfer or lease of business, or transfer of more than five percent (5%) of voting control.

Provision	Section in Franchise Agreement/Satellite Store Agreement	Summary
1. Our approval of transfer by you	Sect. XVII.A.	We have the right to approve all transfers but will not unreasonably withhold approval of a permitted transfer.
m. Conditions for our approval of transfer	Sect. XVII	New franchisee qualifies, your accounts made current, we determine that the sale price is reasonable, you are in compliance with your franchise agreement, transfer fee paid, new franchise agreement signed, training completed, release signed by you and current form of agreement and ancillary documents signed by new franchisee.
n. Our right of first refusal to acquire your business	Sect. XVII.D/ XXIII.E	We can match any offer for the franchise business.
o. Our option to purchase your business	Sect. XXIII.E., F.	After termination, we can purchase your improvements and equipment at depreciated book value, and your supplies and paper goods at your cost.
p. Your death or disability	Sect. XVII.F.	Franchise must be assigned by estate to approved buyer or heir within 6 months. We may also step in to manage the franchise.
q. Non-competition covenants during the term of the franchise	Sect. XIX.	No involvement in competing business anywhere, subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Sect. XIX.	No competing business for 2 years within 5 miles of any location that contains BREADSMITH products and no bread sales to bulk or wholesale accounts you serviced within the last year, subject to state law. No competing business in your designated area and no bread sales to bulk or wholesale accounts you serviced within the last year, subject to state law.
s. Modification of the agreement	Sect. XXVI.D.	No modifications, except in writing, but confidential manuals subject to change.
t. Integration/merger clause	Sect. XXVI.D.	Only the terms of the Franchise Agreement and representations in this

Provision	Section in Franchise Agreement/Satellite Store Agreement	Summary
		FDD are binding. Any other promises outside the disclosure document and franchise agreement may not be enforceable. Nothing in the Franchise Agreement will disclaim or require you to waive reliance on any representation we make in this Disclosure Document (including exhibits and amendments).
u. Dispute resolution by arbitration or mediation	Sect. XXIV.B.	Most disputes must first be submitted to mediation in Whitefish Bay, Wisconsin subject to state law.
v. Choice of forum	Sect. XXIV.E.	Litigation must be in Wisconsin subject to state law.
w. Choice of law	Sect. XXVI.O.	Wisconsin law generally applies subject to state law.

Item 18

PUBLIC FIGURES

We do not use any public figure to promote its 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 any 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 only be given if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Kevin Schuk at 409 East Silver Spring Drive, Whitefish Bay, Wisconsin 53217, (414) 962-1965, the Federal

Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
FOR THE YEARS 2020 TO 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	24	22	-2
	2021	22	21	-1
	2022	21	20	-1
Franchised Satellite	2020	9	9	0
	2021	9	9	0
	2022	9	7	-2
Company Owned	2020	1	1	0
	2021	1	2	1
	2022	2	2	0
Company Satellite	2020	1	1	0
	2021	1	2	1
	2022	2	2	0
Total Outlets	2020	35	33	-2
	2021	33	34	1
	2022	34	31	-3

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR)
FOR YEARS 2020 TO 2022

State	Year	Number of Transfers
North Carolina	2020	0
	2021	0
	2022	2
South Carolina	2020	1
	2021	0

	2022	0
Wisconsin	2020	0
	2021	4
	2022	0
Total	2020	1
	2021	4
	2022	2

Table No. 3
STATUS OF FRANCHISE OUTLETS
FOR YEARS 2020 TO 2022
(Primary Outlets)

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
AZ	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
IL	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
IN	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
MD	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
MI	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MN	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
MO	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
NC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

	2022	1	0	0	0	0	0	1
ND	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NJ	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MS	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
NY	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
OH	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
SC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SD	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TX	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
WI	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	1	0	2
	2022	2	0	0	0	0	0	2
Totals	**2020**	**24**	**0**	**0**	**0**	**0**	**2**	**22**
	2021	**22**	**0**	**0**	**0**	**1**	**0**	**21**
	2022	**21**	**0**	**1**	**0**	**0**	**0**	**20**

STATUS OF FRANCHISE OUTLETS
FOR YEARS 2020 TO 2022
(Satellite Outlets)

State	Year	Satellites at Start of Year	Satellites Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Satellites at End of the Year
IL	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
NC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
SD	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
TX	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
WI	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	1	0	2
	2022	2	0	0	0	0	0	2
Totals	**2020**	**9**	**0**	**0**	**0**	**0**	**0**	**9**
	2021	**9**	**1**	**0**	**0**	**1**	**0**	**9**
	2022	**9**	**0**	**1**	**1**	**0**	**0**	**7**

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2020 TO 2022
(Primary Outlets)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
WI	2020	1	0	0	0	0	1
	2021	1	0	1	0	0	2
	2022	2	0	0	0	0	2

Totals	**2020**	**1**	**0**	**0**	**0**	**0**	**1**
	2021	**1**	**0**	**1**	**0**	**0**	**2**
	2022	**2**	**0**	**0**	**0**	**0**	**2**

STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2020 TO 2022
(Satellite Outlets)

State	Year	Satellites at Start of Year	Satellites Opened	Satellites Reacquired From Franchisees	Satellites Closed	Satellites Sold to Franchisees	Satellites at End of the Year
WI	2020	1	0	0	0	0	1
	2021	1	0	1	0	0	2
	2022	2	0	0	0	0	2
Totals	**2020**	**1**	**0**	**0**	**0**	**0**	**1**
	2021	**1**	**0**	**1**	**0**	**0**	**2**
	2022	**2**	**0**	**0**	**0**	**0**	**2**

Table No. 5
PROJECTED NEW FRANCHISED OUTLETS
AS OF DECEMBER 31, 2022
(Primary Outlets)

State	Franchise Agreements Signed but Outlet not Opened	Projected Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Florida	1	0	0
Total	**1**	**0**	**0**

PROJECTED NEW FRANCHISED OUTLETS
AS OF DECEMBER 31, 2022
(Satellite Outlets)

State	Franchise Agreements Signed but Outlet not Opened	Projected Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Ohio	0	1	0
Total	**0**	**1**	**0**

We continue to look for franchisees throughout the United States and will continue to open additional stores in any state if we find qualified franchisees.

A list of franchisees that ceased to do business under the franchise agreement and/or had an outlet terminated, cancelled, not renewed, transferred or who had not communicated with the franchisor within 10 weeks of the application date is attached hereto as part of Exhibit C.

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

A list of the names of all franchisees, and the address and telephone numbers of their stores, is also included in Exhibit C to this Disclosure Document.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Breadsmith. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Trademark–Specific Franchisee Organizations

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

Item 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit D is a copy of our audited balance sheet as of December 31, 2021 and December 31, 2022 and the related statements of income, retained earnings, and cash flows for each of the three years preceding the period ended December 31, 2022. Also included are the unaudited financial statements for the period covering January 1, 2023 through June 30, 2023. THESE UNAUDITED FINANCIAL STATMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT AUDITED THESE FIGURES NOR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Item 22

CONTRACTS

Attached to this Disclosure Document is a copy of the BREADSMITH Franchise Agreement (Exhibit E) and Satellite Franchise Agreement (Exhibit F), each of which contains a guaranty to be signed by shareholders of a corporate or limited liability company franchisee, and a transfer form for the transfer of the Franchise Agreement to an entity you own and control.

Item 23

RECEIPTS

The last 4 pages of this Disclosure Document are detachable documents acknowledging receipt of this Disclosure Document. Please sign both receipt pages and return one to us.

EXHIBIT A

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

CALIFORNIA
Commissioner of Business Oversight
State of California Business, Consumer Services
And Housing Agency
Department of Business Oversight
One Sansome Street, Suite 600
San Francisco, CA 94104-4428
(415) 972-8565

ILLINOIS
Franchise Bureau
Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

MARYLAND
Maryland State Authority:
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

Agent for Service of Process:
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MINNESOTA
Minnesota Department of Commerce
Registration and Licensing Division
85 7th Place, Suite 500
St. Paul, Minnesota 55101
(651) 296-4026

NEW YORK
New York State Authority:
NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Floor
New York, NY 10005
212-416-8285

Agent for service of process:
Secretary of State
99 Washington Avenue
Albany, NY 12231

OREGON
Department of Consumer and Business Services
Division of Finance
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140

FLORIDA
Department of Agriculture and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(850) 922-2770

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

MICHIGAN
Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

NEBRASKA
Department of Banking and Finance
Commerce Court
1230 "O" Street, Suite 400
PO Box 95006
Lincoln, NE 68509-5006
(402) 471-3445

NORTH DAKOTA
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - 5th Floor
Bismarck, North Dakota 58505-0510
(701) 328-4712

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

UTAH
Director, Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
P.O. Box 146704
Salt Lake City, Utah 84114-6704
(801) 530-6601

WASHINGTON
Securities Division
Department of Financial Institutions
150 Israel Road
Tumwater, Washington 98501

TEXAS
Secretary of State
Statutory Document Section
P.O. Box 12887
Austin, Texas 78711
(512) 475-1769

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

(360) 902-8760

WISCONSIN
Wisconsin Division of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701
(608) 266-8559

EXHIBIT B

TABLES OF CONTENTS OF MANUALS

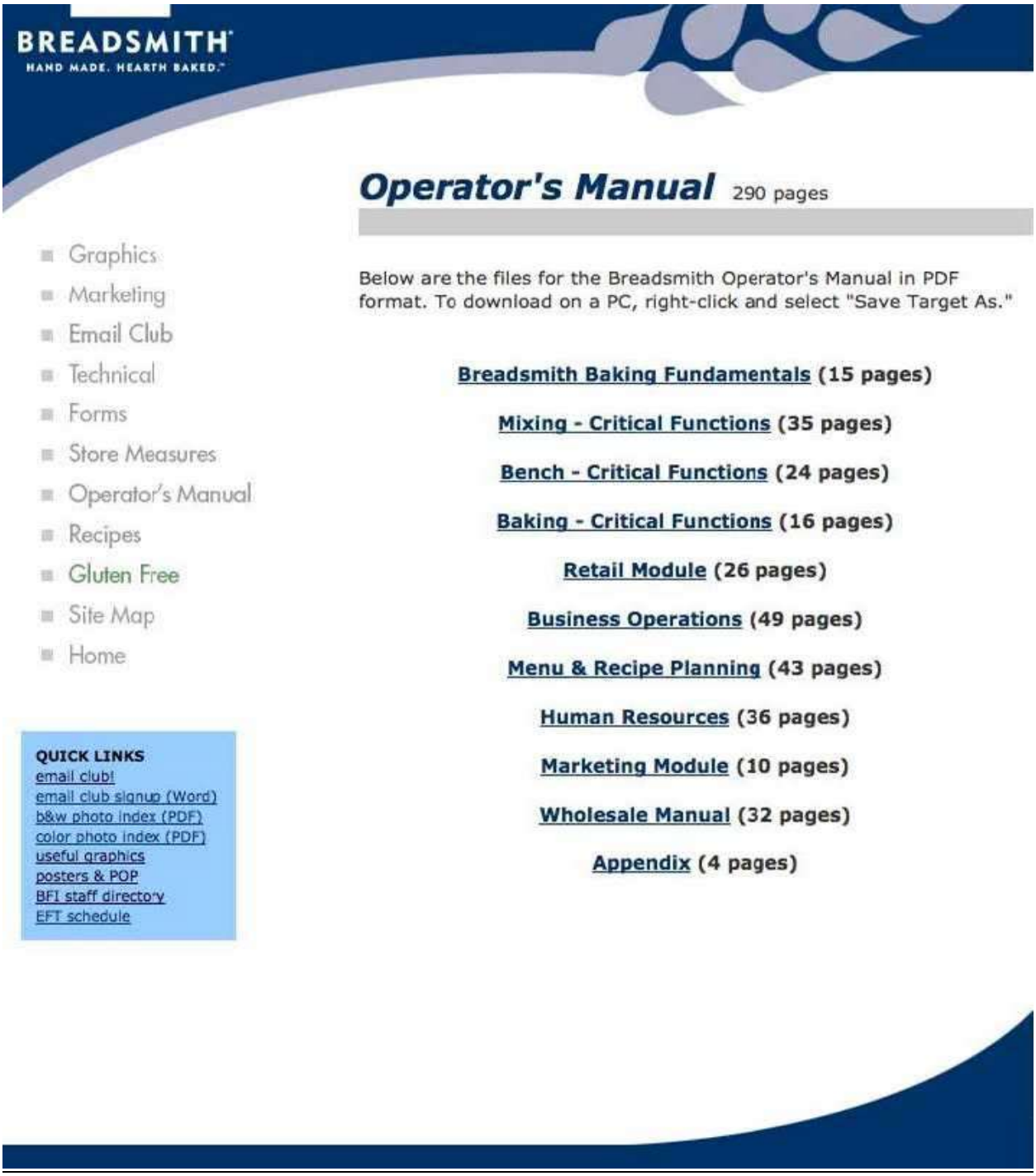

EXHIBIT C

LIST OF FRANCHISEES

TERMINATED, CANCELLED, NON-RENEWED, TRANSFERRED, OR NONCOMMUNICATING FRANCHISEES

Steven & Kathy Stone
5226 S College Rd, Ste. 7B
Wilmington, NC 28412

Steven & Kathy Stone
820 Town Center Dr., Ste. 150
Wilmington, NC 28405

Magnolia Girl Bakery, LLC
Alessandra Busche
Hattiesburg, MS
(601) 268-0330

FRANCHISEES AS OF DECEMBER 31, 2022

State	Franchisee	Address	Phone
AZ	**A to Z Bakery LLC** Tavis Ostman & Brian Arendt	10355 N La Canada Dr. Ste. 101 Oro Valley, AZ 83737	(520) 219-7985
IL	**Bethlehem in Highland Park** Cheri Cho-Min	121 N 2nd Street St. Charles, IL 60174	(847) 432-3330
IL	**Ace of Breads, Inc** Jason Wojciechowski	7152 West 127th Street Palos Heights, IL 60463	(708) 923-0755
MI	**Segge6, Inc.** Kent Seggebruch	4901 North Okemos Road Okemos, MI 48864	(517) 347-1810
MN	**Breadsmith of the Twin Cities, Inc.** Dave Wright	3939 W 50th Street Edina, MN 55424	(952) 920-2778
MN	**Breadsmith of the Twin Cities, Inc.** Dave Wright	1579 Grand Ave. St. Paul, MN 55105	(651) 690-3224
MN	**Breadsmith of the Twin Cities, Inc.** Dave Wright	1816 S. Plymouth Road Minnetonka, MN 55305	(952) 475-0099
MO	**JAKS Breads LLC** Shawn Burgbacher	3305 South Campbell Springfield, MO 65807	(417) 890-0399
MO	**Bread Winners, Inc.** Duane & Kay Johnson	10031 Manchester Road St. Louis, MO 63122	(314) 822-8200
NC	**Crust & Crumb, LLC** Katherine Amadeo	5226 S College Rd, Ste. 7B Wilmington, NC 28412	(803) 547-3900
NJ	**Artisan Bread of Cranford** Kathy Vastola & Paul Cavanaugh	32 North Ave West Cranford, NJ 07016	(908) 276-2155
NY	**Sky Bread LLC** Chaim Lieff	1817 Avenue M Brooklyn, NY 11230	(718) 676-4747
ND	**RVR Investments, Inc.** Rob Roberts	1617 32nd Avenue South Fargo, ND 58103	(701) 478-8000
OH	**Beachland Bread Company, LLC** Ginius Macys & Sabine Kretzschmar	18101 Detroit Avenue Lakewood, OH 44107	(216) 529-8443
OH	**Pipco LLC** Ward Bahlman	3500 Michigan Avenue Unit R4 Cincinnati, OH 45208	(513) 321-6300
PA	**Kim and Joby Cantalamessa**	*Not yet operational*	(412) 616-0274
SC	**LauMarken, LLC** **Angel and Katherine Amadeo**	2000 Highway 160 W., Suite 101 Fort Mill, SC 29708	(803) 547-3900
SD	**Prairie Bread, Inc.** Susie Patrick & Chuck Bahnson	609 West 33rd Street Sioux Falls, SD 57105	(605) 338-1338
SD	**Prairie Bread, Inc.**	609 West 33rd Street	(605) 338-1338

	Susie Patrick & Chuck Bahnson	Sioux Falls, SD 57105	
SD	**Prairie Bread, Inc.** Susie Patrick & Chuck Bahnson	1212 E. 57th St. Sioux Falls, SD 57108	(605) 271-4732
SD	**Prairie Bread, Inc.** Susie Patrick & Chuck Bahnson	1614 S. Sycamore Ave. Sioux Falls, SD 57110- East	(605) 271-4730
TX	**Angel's & Gloria's Bread House** Martha Garza	4105 N. 10th Street McAllen, TX 78504	(956) 994-1294
TX	**Angel's & Gloria's Bread House** Martha Garza	3400 W. Expressway 83 #F180 McAllen, TX 78501	(956) 994-1294
TX	**Angel's & Gloria's Bread House** Martha Garza	1318 N. Ed Carey Drive Harlingen, TX 78550	(956) 994-1294
TX	**Angel's & Gloria's Bread House** Martha Garza	1318 N. Ed Carey Drive Harlingen, TX 78550	(956) 994-1294
WI	**Great Bakers and Beyond** Shane Griesbach	670 N. Westhill Blvd. Appleton, WI 54914- West	(920) 830-3307
WI	**Great Bakers and Beyond** Shane Griesbach	W3165 Van Roy Road Appleton, WI 54915- East	(920) 882-2253
WI	**Beleva, LLC** Bret Van Asten	2674 South Oneida Street Green Bay, WI 54304	(920) 405-3107
WI	**Beleva, LLC** Bret Van Asten	345 Cardinal Lane Howard, WI 54313	(920) 434-1811
WI	**Breadsmith** Manager (Affiliate - Owned)	4720 S. 76th Street Greenfield, WI 53220	(414) 282-9320
WI	**Breadsmith** Manager (Affiliate - Owned)	2632 N. Downer Ave. Milwaukee, WI 53211	(414) 962-1122
WI	**Breadsmith** Manager (Affiliate - Owned)	1417 N. Wauwatosa Ave. Wauwatosa, WI 53213	(414) 443-0202
WI	**Breadsmith** Manager (Affiliate - Owned)	420 E. Silver Spring Dr. Whitefish Bay, WI 53217	(414) 962-6203

EXHIBIT D

FINANCIAL STATEMENTS

Breadsmith Franchising, Inc.
Balance Sheet
As of June 30, 2023

	Jun 30, 23
ASSETS	
Current Assets	
Checking/Savings	
Money Market	90,950.91
Johnson Bank	123,920.05
Total Checking/Savings	214,870.96
Accounts Receivable	
Accounts Receivable	-5,100.33
Total Accounts Receivable	-5,100.33
Other Current Assets	
Prepaid Insurance	2,185.50
Prepaid Expenses	3,736.36
Total Other Current Assets	5,921.86
Total Current Assets	215,692.49
Fixed Assets	
LeaseHold Improvements	13,935.49
A/D - Leasehold Improvements	-10,683.85
Computer Equipment	4,223.98
A/D - Computer Equipment	-4,223.99
Furniture	4,347.55
A/D - Furniture	-4,347.55
Total Fixed Assets	3,251.63
Other Assets	
Right of Use Asset - Operating	42,413.74
Security Deposit	1,512.71
Total Other Assets	43,926.45
TOTAL ASSETS	262,870.57
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
Verizon Credit Card	1,400.94
CapitalOne	7,907.63
Credit Card at Chase Web Downl	12,537.56
Total Credit Cards	21,846.13

Breadsmith Franchising, Inc.
Balance Sheet
As of June 30, 2023

	Jun 30, 23
Other Current Liabilities	
Lease Liability-Operating-ST	38,243.74
Pension Payable	3,221.44
Accrued Payroll	23,151.30
Sales Tax Payable	161.26
Total Other Current Liabilities	64,777.74
Total Current Liabilities	86,623.87
Long Term Liabilities	
Lease Liability-Operating-LT	6,568.03
Franchise Deposits	65,833.33
Total Long Term Liabilities	72,401.36
Total Liabilities	159,025.23
Equity	
Treasury Stock	-6,006.00
Paid In Capital	2,402.00
Distributions-Stockholder	-159,000.00
Capital Stock	100.00
Retained Earnings	314,307.78
Net Income	-47,958.44
Total Equity	103,845.34
TOTAL LIABILITIES & EQUITY	262,870.57

Breadsmith Franchising, Inc.
Profit & Loss
January through June 2023

	Jan - Jun 23
Ordinary Income/Expense	
Income	
Convention Income	6,690.34
Revenue	
BS Rewards Online Order Su...	2,110.00
Breadsmith Rewards Online ...	43,655.00
Equipment Shipping Income	246.79
Graphics Shipping Income	677.67
Interest Income	647.48
Royalties	513,593.08
Franchise Fee	15,000.00
Email Club	825.00
Graphics Program	6,061.99
Gift Card Program	940.60
Equipment Service	2,606.45
Total Revenue	586,364.06
Total Income	593,054.40
Gross Profit	593,054.40
Expense	
Marketing Rebate	45,347.09
Equipment Service Expense	40,756.24
Equipment Service Shipping	10,551.45
Directors Fee	16,314.00
Executive - Travel	9,999.96
Education/Conventions	50.00
Entertainment	
Holiday	3,669.04
Total Entertainment	3,669.04
Equipment	178.08
Fees/Charges	
Website	702.48
State Franchise Fees	2,950.00
Total Fees/Charges	3,652.48
Franchise Development	
Recruitment	362.80
Total Franchise Development	362.80
Professional Fees	
Payroll Fees	1,356.10
Accounting Fees	11,525.00
Legal Fees	8,253.00
Total Professional Fees	21,134.10

Breadsmith Franchising, Inc.
Profit & Loss
January through June 2023

	Jan - Jun 23	
Labor		
Salaries		
Salaries	297,287.97	
Employer Tax Expenses	22,109.58	
Total Salaries		319,397.55
Health Benefits		27,786.24
Employer Contribution - IRA		7,542.28
Employee Rewards - Gathering		1,699.46
Employee Rewards/Monthly ...		2,910.90
Total Labor		359,336.43
Marketing & Promotion		
Online Order/Loyalty Fee		7.67
Online Ordering/Digital Loyalty		39,134.12
Graphics - Labels		1,807.10
Graphics Program		1,534.69
Graphics - Shipping		298.58
Gift Card Program		91.70
Design		2,289.10
Email Club Expense		367.16
Marketing & Promotion - Other		249.84
Total Marketing & Promotion		45,779.96
Testing Supplies R&D		1,115.28
Travel - Auto		7,124.98
Travel - Meals & Entertainment		2,444.28
Travel		10,383.47
A&G		
Internet Access		1,506.02
Cell Phone		8,924.30
Charitable Cont.		3,999.75
Insurance		-16.00
Occupancy Costs		19,243.64
Office Supplies		5,305.10
Postage		732.97
Printing Supplies		6,195.98
Shipping		533.22
Telephone		1,782.68
Utility		
Gas Service	1,470.23	
Electric Service	1,467.55	
Total Utility		2,937.78

Breadsmith Franchising, Inc.
Profit & Loss
January through June 2023

	Jan - Jun 23
Computer Maint/Supply	11,028.70
Bank Charges	577.82
Interest Charge	61.24
Total A&G	62,813.20
Total Expense	641,012.84
Net Ordinary Income	-47,958.44
Net Income	-47,958.44

RitzHolman CPAs

March 16 , 2023

CONSENT

Ritz Holman LLP consents to the use of our report dated March 8, 2023, relating to the financial statements of Breadsmith Franchising, Inc. ("Franchisor") for the period ending December 31, 2022, in Franchisor's Franchise Disclosure Document with an issuance date of March 9, 2023, as it may be amended.

Matthew Rios, CPA

Ritz Holman LLP

Ritz Holman LLP
Serving businesses, nonprofits, individuals and trusts.

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BREADSMITH FRANCHISING, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

RitzHolman CPAs

BREADSMITH FRANCHISING, INC.

T A B L E O F C O N T E N T S

	Page
Independent Auditor's Report	1 - 2
Balance Sheets	3
Statements of Operations	4
Statements of Retained Earnings	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 14

RitzHolman CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Breadsmith Franchising, Inc.

Opinion

We have audited the accompanying financial statements of Breadsmith Franchising, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Breadsmith Franchising, Inc. as of December 31, 2022 and 2021, 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. 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 Breadsmith Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility 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; this includes 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 Breadsmith Franchising, Inc.'s ability to continue as going concern within one year after the date that the financial statements are available to be 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 included our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted audit standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user a based on the financial statements.

Board of Directors
Breadsmith Franchising, Inc.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Breadsmith Franchising, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Breadsmith Franchising, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Ritz Holman LLP

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
March 8, 2023

BREADSMITH FRANCHISING, INC.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	$ 265,004	$ 203,191
Accounts Receivable	63,662	17,728
Prepaid Expense	5,922	6,394
Total Current Assets	$ 334,588	$ 227,313
FIXED ASSETS		
Furniture and Fixtures	$ 4,348	$ 4,348
Computer Equipment	4,224	4,224
Leasehold Improvements	13,935	13,935
Total Fixed Assets	$ 22,507	$ 22,507
Less: Accumulated Depreciation	(19,255)	(18,326)
Net Fixed Assets	$ 3,252	$ 4,181
OTHER ASSETS		
Security Deposit	$ 1,513	$ 1,513
Right of Use Asset - Operating Lease	42,414	---
Total Other Assets	$ 43,927	$ 1,513
TOTAL ASSETS	$ 381,767	$ 233,007

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable	$ 19,217	$ 17,039
Accrued Payroll	26,100	24,297
Deferred Revenue - Short-Term	7,500	7,500
Lease Liabilities - Operating Leases - Short Term	38,244	---
Total Current Liabilities	$ 91,061	$ 48,836
LONG-TERM LIABILITIES		
Deferred Revenue - Long-Term	$ 58,333	$ 51,833
Lease Liabilities - Operating Leases - Long Term	6,568	---
Total Long-Term Liabilities	$ 64,901	$ 51,833
Total Liabilities	$ 155,962	$ 100,669
STOCKHOLDERS' EQUITY		
Common Stock, $.10 Par Value; 1,000 Shares Authorized; 1,000 Shares Issued and Outstanding	$ 100	$ 100
Additional Paid-in Capital	2,402	2,402
Treasury Stock	(6,006)	(6,006)
Retained Earnings	229,309	135,842
Total Stockholders' Equity	$ 225,805	$ 132,338
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 381,767	$ 233,007

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
INCOME		
Royalties	$ 1,096,915	$ 1,064,746
Franchise Fees	23,500	21,083
Equipment Sales	98,405	5,354
Other Income	125,429	269,639
Total Income	$ 1,344,249	$ 1,360,822
OPERATING EXPENSES		
Total Operating Expenses	1,161,728	1,117,398
Income from Operations	$ 182,521	$ 243,424
OTHER INCOME AND (EXPENSES)		
Interest Income	$ 300	$ 69
Charitable Contributions	(2,406)	(6,025)
Interest Expense	---	(61)
Total Other Income and Expenses	$ (2,106)	$ (6,017)
NET INCOME	$ 180,415	$ 237,407

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RETAINED EARNINGS, BEGINNING OF YEAR	$ 135,842	$ 123,435
Net Income	180,415	237,407
Shareholder Distributions	(85,000)	(225,000)
Cumulative Change in Accounting	(1,948)	---
RETAINED EARNINGS, END OF YEAR	$ 229,309	$ 135,842

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	$ 180,415	$ 237,407
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	929	2,062
(Increase) Decrease in Accounts Receivable	(45,934)	(4,781)
(Increase) Decrease in Loan Receivable	---	10,000
(Increase) Decrease in Prepaid Expense	472	1,294
Increase (Decrease) in Accounts Payable	2,178	(3,288)
Increase (Decrease) in Accrued Payroll	1,803	2,208
Increase (Decrease) in Deferred Revenue	6,500	(6,084)
Increase (Decrease) in Lease Liabilities	(34,724)	---
Net Cash Provided by Operating Activities	$ 111,639	$ 238,818
CASH FLOW FROM INVESTING ACTIVITIES		
Amortization of Right of Use Asset - Operating Lease	$ 35,174	$ ---
Net Cash Provided by Investing Activities	$ 35,174	$ ---
CASH FLOW FROM FINANCING ACTIVITIES		
Shareholder Distributions	$ (85,000)	$ (225,000)
Net Cash Used by Financing Activities	$ (85,000)	$ (225,000)
Net Increase in Cash	$ 61,813	$ 13,818
CASH AT BEGINNING OF YEAR	203,191	189,373
CASH AT END OF YEAR	$ 265,004	$ 203,191
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	$ ---	$ 61
Income Taxes Paid	---	---

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

BREADSMITH FRANCHISING, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

BREADSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - Summary of Significant Accounting Policies

Organization
Breadsmith Franchising, Inc., a Wisconsin Corporation, was incorporated on September 21, 1993, for the purpose of franchising a store specializing in making bread.

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

Allowance for Uncollectible Accounts
Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end.

Property and Depreciation
Property and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets.

Equipment Deposits
Franchisees can order equipment used in their operations from the Company. The Company requires a 60% deposit from the franchisee prior to the order being made to the equipment vendor. The Company uses the deposit to make a required deposit with their equipment vendor at the time the equipment is ordered. The deposits are classified as deferred revenue and deferred expenses until the equipment is installed at the franchise location. As of December 31, 2022 and 2021, there were no equipment deposits on hand.

Advertising
Advertising costs are charged to operations when incurred. Advertising expenses for the years ended December 31, 2022 and 2021, were $79,361 and $106,569, respectively.

Income Taxes
The Company has elected to be treated as a sub chapter S Corporation under section 1361 of the Internal Revenue Code for federal and Wisconsin income tax purposes. Income or loss of the Company is allocated to the shareholders. No income tax provision has been included in the financial statements, since income or loss of the Company is required to be reported by the shareholders on their income tax returns.

Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of December 31, 2022, the Company has no amounts related to unrecognized income tax benefits and no amounts related to accrued interest or penalties. The Company does not anticipate any significant changes to unrecognized income tax benefits over the next year. The income or loss of the Company is reported by the shareholders on their income tax returns in the U.S. federal jurisdiction and the state of Wisconsin jurisdiction. The Company is currently not under audit by any federal or state taxing authority and there are no outstanding tax claims that were filed by such authorities.

NOTE A - Summary of Significant Accounting Policies (continued)

Leases

The Organization recognizes the operating and finance leases in accordance with the *FASB Accounting Standards Codification* (ASC) 842. A lease exists when an organization has the Right to control the use of property, plant or equipment over a lease term.

The lessee classifies a lease as either a finance or operating lease. The accounting of a finance lease is similar to when an asset is purchased. An operating lease is when the right-of-use of an asset exists over the lease-term, but that the lease doesn't meet the definition of a finance lease.

The Organization has elected to establish a threshold to exclude lease assets and obligations that are immaterial to the financial statements. The Organization recognizes individual lease assets and liabilities when they are greater than $5,000. However, if the combined lease assets or liabilities for individually insignificant leases are greater than $5,000, the Organization recognizes the lease assets and obligations.

The Organization has elected not to apply the recognition requirements in ASC 842 to short-term leases (those with a term of 12 or less months) and no expected purchase at the end of the term.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

NOTE B - Accounting Standards Changes and Change in Accounting Principles

Accounting Standards Changes

The Organization's financial statements include implementation of the following accounting Standards updates:

Accounting Standards Update 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs. This update clarifies that an entity should reevaluate whether a callable debt security is within the scope of paragraph 310-20-32-33 for each reporting period. This amendment impacts the effective yield of an existing individual callable debt security. Amendments in this update are applied on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. The implementation of this standard has not materially affected the financial statements of the Organization.

NOTE B - Accounting Standards Changes and Change in Accounting Principles (continued)

Accounting Standards Update 2016-02, Leases (Topic 842). The FASB also subsequently issued the following additional accounting standards updates which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11 Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2018-01, Leases (Topic 842): Codification Improvements. These updates require the recognition of operating leases as right-of-use assets and lease liabilities on the statement of financial position measured at the present value of lease payments and expenses are recognized on the straight-line basis over the term of the lease. For finance leases (previously reported as capital leases), the lessee will recognize the right-of-use asset and lease liability initially at the present value of lease payments.

Interest will be recognized separately from amortization of the leased assets in the statement of activities. The updates require disclosure of key information about the leasing arrangements. The Organization has elected to use the practical expedients for implementation on leases that commenced before the effective date of the new standard. The practical expedients include that the Organization need not reassess 1) whether any expired or existing contracts are or contain leases, 2) the lease classification as operating or finance for expired or existing leases, and 3) initial direct costs for existing leases. In addition, the Organization has the ability to use hindsight in evaluating lessee options to extend or terminate a lease and assess impairment. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.

The adoption of Topic 842 had a material impact on the Organization's balance sheet but did not have a material impact on the statement of operations. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Organization to restate amounts as of January 1, 2022, resulting in an increase in operating lease right-of-use assets of $77,588, and a decrease in operating lease liabilities of $79,536.

Change in Accounting Principles

As a result of adopting the new standards effective January 1, 2022, the Organization recorded additional net lease assets and lease liabilities of approximately $77,588 and $79,536, respectively. The difference between the lease assets and lease liabilities was recorded as an approximate $1,948 reduction to retained earnings. Adoption of the new standard did not materially impact the Organization's retained earnings and had no material impact on cash flows.

NOTE B - Accounting Standards Changes and Change in Accounting Principles (continued)

The following details the balance sheet line items effected as of January 1, 2022:

	As Reported Under 840	As Reported Under 842	Effect of Change
Assets			
Right-of-Use Assets – Operating Leases	---	77,588	77,588
Liabilities			
Lease Obligations – Operating Leases	---	(79,536)	(79,536)
Retained Earnings			
Retained Earnings	---	(1,948)	(1,948)

NOTE C - Franchise Agreement

The franchise agreement grants to the franchisee the right to use the trade names "Breadsmith" and other service marks, trademarks, and logos within a designated territory. The franchise rights are granted for fifteen years with an option to renew for another fifteen years. Included with the franchise is the use of Breadsmith Franchising, Inc.'s programs for baking, promoting, and operating a quality bread store.

The Company grants each franchisee a designated territory, reviews and approves the franchisee's site selection, provides the layout design for the facility, provides consultation, assistance and training, and the use of an operation manual prior to the store opening. The Company subsequently provides ongoing consultation and advice regarding the operation of the franchise and the use of its names, marks, systems, recipes, and trade dress in accordance with the terms of the franchise agreement.

In exchange for these services, the Company collects an initial franchise fee and also receives a monthly royalty of between 5% and 7% based on the gross receipts of the franchisee.

NOTE D - Deferred Initial Franchise Fee

Initial franchise fees are received when the agreement is signed. Recognition of income for site selection, store layout, and initial training is deferred until the provision of those services is completed. The remaining portion of the initial franchise fee is recorded and recognized over the life of the franchise agreement. The deferred franchise fees were $65,833 and $59,333 as of December 31, 2022 and 2021, respectively.

NOTE E - Foreign Currency Transactions

Breadsmith Franchising, Inc. purchases baking equipment from foreign businesses and remits payment in U.S. dollars. Due to the potential fluctuation of the value of the dollar versus the Euro, differences in the dollar amounts may arise based on any changes in the exchange rate between the date equipment is ordered and when it is billed to the Company. To date, no such material fluctuations have been present.

NOTE F - Defined Contribution Plan

Breadsmith Franchising, Inc. maintains a SIMPLE IRA plan for the benefit of employees. The Company contributes 3% of all eligible participants' compensation into the plan after each payroll period. The total contribution made for the years ended December 31, 2022 and 2021, was $15,018 and $14,505, respectively.

NOTE G - Leases

Breadsmith Franchising, Inc. leases office space under an operating lease agreement that expires on February 29, 2024. Rental payments are set to increase every year based on the Consumer Pricing Index for all Urban Consumers, published by the United States Department of Labor, Bureau of Labor Statistics.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2022:

	Amount
Operating Leases	
Operating lease right-of-use-assets	$42,414
Operating lease liabilities	$44,812

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

	Average
Weighted Average Remaining Lease Term	
Operating leases	1.16 years
Weighted Average Discount Rate	
Operating leases	2%

NOTE G - Leases (continued)

The maturities of lease liabilities as of December 31, 2022 were as follows:

Year Ending December 31,	Operating
2023	$38,244
2024	6,568
Total lease payments	$44,812

The following summarizes the line items in the statements of operations which include the components of lease expense for the year ended December 31, 2022:

	Amount
Operating lease expense included in operating expenses	$36,989

The following summarizes cash flow information related to leases for the year ended December 31, 2022

	Amount
Cash paid for amounts included in the measurement of Lease liabilities	
Operating cash flows from operating leases	$(34,724)
Lease assets obtained in exchange for lease obligations:	
Operating leases	$35,174

NOTE H - Revenue From Contracts With Customers

Effective January 1, 2019, the Company adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606) and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (GAAP). The new guidance requires the Company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Company applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted

NOTE H - Revenue From Contracts With Customers (continued)

and continue to be reported in accordance with legacy GAAP.

Breadsmith Franchising, Inc. collects initial franchise fees of $30,000 upon signing of the franchise agreement. The non-refundable fee constitutes remuneration for screening, interviewing, and processing the franchisee, and for consultation regarding the setting up of the business to be operated under the agreement. Management evaluates the progress of the set-up process and defers a portion of the fee accordingly (See note C). After the initial set-up costs are determined, the balance of the franchise fee is recorded over the life of the franchise agreement.

The following shows how franchise fees were accounted for in 2022.

Deferred Franchise Fees, December 31, 2021	$ 59,333
New Franchise Fees Collected in 2022	30,000
Franchise Fees Recognized During 2022	(23,500)
Deferred Franchise Fees, December 31, 2022	$ 65,833

NOTE I - Future Accounting Pronouncements

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE J - Subsequent Events

Breadsmith Franchising, Inc. has evaluated events and transactions occurring after December 31, 2022, through March 8, 2023, the date of the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may have an impact on the operations of both the franchisees and the Company itself. At this time there has been no negative impact, as the Company is classified as an essential business. Any potential negative impact could not be determined at this time.

RitzHolman CPAs

March 9 , 2022

CONSENT

Ritz Holman LLP consents to the use of our report dated March 4, 2022, relating to the financial statements of Breadsmith Franchising, Inc. ("Franchisor") for the period ending December 31, 2021, in Franchisor's Franchise Disclosure Document with an issuance date of March 9, 2022, as it may be amended.

Matthew Rios, CPA

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BREADSMITH FRANCHISING, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

RitzHolman CPAs

BREADSMITH FRANCHISING, INC.

T A B L E O F C O N T E N T S

	Page
Independent Auditor's Report	1 - 2
Balance Sheets	3
Statements of Operations	4
Statements of Retained Earnings	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 12

RitzHolman CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Breadsmith Franchising, Inc.

Opinion

We have audited the accompanying financial statements of Breadsmith Franchising, Inc., which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Breadsmith Franchising, Inc. as of December 31, 2021 and 2020, 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. 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 Breadsmith Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility 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; this includes 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 Breadsmith Franchising, Inc.'s ability to continue as going concern within one year after the date that the financial statements are available to be 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 included our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted audit standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user a based on the financial statements.

Board of Directors
Breadsmith Franchising, Inc.

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

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

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

Ritz Holman LLP

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
March 4, 2022

BREADSMITH FRANCHISING, INC.
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	$ 203,191	$ 189,373
Accounts Receivable	17,728	12,947
Loan Receivable	---	10,000
Prepaid Expense	6,394	7,688
Total Current Assets	$ 227,313	$ 220,008
FIXED ASSETS		
Furniture and Fixtures	$ 4,348	$ 10,823
Computer Equipment	4,224	16,560
Leasehold Improvements	13,935	13,935
Total Fixed Assets	$ 22,507	$ 41,318
Less: Accumulated Depreciation	(18,326)	(35,075)
Net Fixed Assets	$ 4,181	$ 6,243
OTHER ASSETS		
Security Deposit	$ 1,513	$ 1,513
Total Other Assets	$ 1,513	$ 1,513
TOTAL ASSETS	$ 233,007	$ 227,764

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable	$ 17,039	$ 20,327
Accrued Payroll	24,297	22,089
Deferred Revenue - Short-Term	7,500	8,501
Total Current Liabilities	$ 48,836	$ 50,917
LONG-TERM LIABILITIES		
Deferred Revenue - Long-Term	$ 51,833	$ 56,916
Total Long-Term Liabilities	$ 51,833	$ 56,916
Total Liabilities	$ 100,669	$ 107,833
STOCKHOLDERS' EQUITY		
Common Stock, $.10 Par Value; 1,000 Shares Authorized; 1,000 Shares Issued and Outstanding	$ 100	$ 100
Additional Paid-in Capital	2,402	2,402
Treasury Stock	(6,006)	(6,006)
Retained Earnings	135,842	123,435
Total Stockholders' Equity	$ 132,338	$ 119,931
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 233,007	$ 227,764

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
INCOME		
Royalties	$ 1,064,746	$ 1,003,091
Franchise Fees	21,083	13,500
Equipment Sales	5,354	16,808
Other Income	269,639	201,984
Total Income	$ 1,360,822	$ 1,235,383
OPERATING EXPENSES		
Total Operating Expenses	1,117,398	984,660
Income from Operations	$ 243,424	$ 250,723
OTHER INCOME AND (EXPENSES)		
Interest Income	$ 69	$ ---
Charitable Contributions	(6,025)	(2,626)
Interest Expense	(61)	(65)
Total Other Income and Expenses	$ (6,017)	$ (2,691)
NET INCOME	$ 237,407	$ 248,032

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
RETAINED EARNINGS, BEGINNING OF YEAR	$ 123,435	$ 30,403
Net Income	237,407	248,032
Shareholder Distributions	(225,000)	(155,000)
RETAINED EARNINGS, END OF YEAR	$ 135,842	$ 123,435

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	$ 237,407	$ 248,032
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	2,062	2,463
Decrease in Accounts Receivable	(4,781)	2,063
Increase in Loan Receivable	10,000	(10,000)
Decrease (Increase) in Prepaid Expense	1,294	2,368
Increase (Decrease) in Accounts Payable	(3,288)	10,872
Increase (Decrease) in Accrued Payroll	2,208	(3,093)
Decrease in Deferred Revenue	(6,084)	(4,749)
Net Cash Provided by Operating Activities	$ 238,818	$ 247,956
CASH FLOW FROM FINANCING ACTIVITIES		
Shareholder Distributions	$ (225,000)	$ (155,000)
Net Cash Used by Financing Activities	$ (225,000)	$ (155,000)
Net Increase in Cash	$ 13,818	$ 92,956
CASH AT BEGINNING OF YEAR	189,373	96,417
CASH AT END OF YEAR	$ 203,191	$ 189,373
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	$ 61	$ 65
Income Taxes Paid	---	---

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

BREADSMITH FRANCHISING, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

BREADSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE A - Summary of Significant Accounting Policies

Organization
Breadsmith Franchising, Inc., a Wisconsin Corporation, was incorporated on September 21, 1993, for the purpose of franchising a store specializing in making bread.

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

Allowance for Uncollectible Accounts
Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end.

Property and Depreciation
Property and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets.

Equipment Deposits
Franchisees can order equipment used in their operations from the Company. The Company requires a 60% deposit from the franchisee prior to the order being made to the equipment vendor. The Company uses the deposit to make a required deposit with their equipment vendor at the time the equipment is ordered. The deposits are classified as deferred revenue and deferred expenses until the equipment is installed at the franchise location. As of December 31, 2021 and 2020, there were no equipment deposits on hand.

Advertising
Advertising costs are charged to operations when incurred. Advertising expenses for the years ended December 31, 2021 and 2020, were $106,569 and $10,195, respectively.

Income Taxes
The Company has elected to be treated as a sub chapter S Corporation under section 1361 of the Internal Revenue Code for federal and Wisconsin income tax purposes. Income or loss of the Company is allocated to the shareholders. No income tax provision has been included in the financial statements, since income or loss of the Company is required to be reported by the shareholders on their income tax returns.

Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of December 31, 2021, the Company has no amounts related to unrecognized income tax benefits and no amounts related to accrued interest or penalties. The Company does not anticipate any significant changes to unrecognized income tax benefits over the next year. The income or loss of the Company is reported by the shareholders on their income tax returns in the U.S. federal jurisdiction and the state of Wisconsin jurisdiction. The Company is currently not under audit by any federal or state taxing authority and there are no outstanding tax claims that were filed by such authorities.

NOTE A - Summary of Significant Accounting Policies (continued)

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

NOTE B - Franchise Agreement

The franchise agreement grants to the franchisee the right to use the trade names "Breadsmith" and other service marks, trademarks, and logos within a designated territory. The franchise rights are granted for fifteen years with an option to renew for another fifteen years. Included with the franchise is the use of Breadsmith Franchising, Inc.'s programs for baking, promoting, and operating a quality bread store.

The Company grants each franchisee a designated territory, reviews and approves the franchisee's site selection, provides the layout design for the facility, provides consultation, assistance and training, and the use of an operation manual prior to the store opening. The Company subsequently provides ongoing consultation and advice regarding the operation of the franchise and the use of its names, marks, systems, recipes, and trade dress in accordance with the terms of the franchise agreement.

In exchange for these services, the Company collects an initial franchise fee and also receives a monthly royalty of between 5% and 7% based on the gross receipts of the franchisee.

NOTE C - Deferred Initial Franchise Fee

Initial franchise fees are received when the agreement is signed. Recognition of income for site selection, store layout, and initial training is deferred until the provision of those services is completed. The remaining portion of the initial franchise fee is recorded and recognized over the life of the franchise agreement. The deferred franchise fees were $59,333 and $65,417 as of December 31, 2021 and 2020, respectively.

NOTE D - Foreign Currency Transactions

Breadsmith Franchising, Inc. purchases baking equipment from foreign businesses and remits payment in U.S. dollars. Due to the potential fluctuation of the value of the dollar versus the Euro, differences in the dollar amounts may arise based on any changes in the exchange rate between the date equipment is ordered and when it is billed to the Company. To date, no such material fluctuations have been present.

NOTE E - Defined Contribution Plan

Breadsmith Franchising, Inc. maintains a SIMPLE IRA plan for the benefit of employees. The Company contributes 3% of all eligible participants' compensation into the plan after each payroll period. The total contribution made for the years ended December 31, 2021 and 2020, was $14,505 and $15,087, respectively.

NOTE F - Leases

Breadsmith Franchising, Inc. leases office space under an operating lease agreement that expires May 31, 2024. Rental payments are set to increase every year based on the Consumer Pricing Index for all Urban Consumers, published by the United States Department of Labor, Bureau of Labor Statistics.

The following is a schedule of the future minimum rental payments required under the above operating lease through May 2024.

Year	Amount
2022	$ 37,208
2023	38,027
2024 - Estimated	38,864
Total	$114,099

NOTE G - Revenue From Contracts With Customers

Effective January 1, 2019, the Company adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606) and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (GAAP). The new guidance requires the Company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Company applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted

NOTE H - Revenue From Contracts With Customers (continued)

and continue to be reported in accordance with legacy GAAP.

Breadsmith Franchising, Inc. collects initial franchise fees of $30,000 upon signing of the franchise agreement. The non-refundable fee constitutes remuneration for screening, interviewing, and processing the franchisee, and for consultation regarding the setting up of the business to be operated under the agreement. Management evaluates the progress of the set-up process and defers a portion of the fee accordingly (See note C). After the initial set-up costs are determined, the balance of the franchise fee is recorded over the life of the franchise agreement.

The following shows how franchise fees were accounted for in 2021.

Deferred Franchise Fees, December 31, 2020	$ 65,416
New Franchise Fees Collected in 2021	15,000
Franchise Fees Recognized During 2021	(21,083)
Deferred Franchise Fees, December 31, 2021	$ 59,333

NOTE I - Future Accounting Pronouncements

Accounting Standards Update 2021-05, Leases (Topic 842) will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

Accounting Standards Update 2020-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20) will be effective for fiscal years beginning after December 15, 2021. The amendments in this update represent changes to clarify the codification. An organization shall apply the amendment prospectively. This amendment impacts the effective yield of an existing individual callable debt security.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE J - Subsequent Events

Breadsmith Franchising, Inc. has evaluated events and transactions occurring after December 31, 2021, through March 4, 2022, the date of the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may have an impact on the operations of both the franchisees and the Company itself. At this time there has been no negative impact, as the Company is classified as an essential business. Any potential negative impact could not be determined at this time.

RitzHolman CPAs

March 4 , 2021

CONSENT

Ritz Holman LLP consents to the use of our report dated February 26, 2021, relating to the financial statements of Breadsmith Franchising, Inc. ("Franchisor") for the period ending December 31, 2020, in Franchisor's Franchise Disclosure Document with an issuance date of March 4, 2021, as it may be amended.

Matthew Rios, CPA

Ritz Holman LLP

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BREADSMITH FRANCHISING, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

RitzHolman CPAs

BREADSMITH FRANCHISING, INC.

T A B L E O F C O N T E N T S

	Page
Independent Auditor's Report	1 - 2
Balance Sheets	3
Statements of Operations	4
Statements of Retained Earnings	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 12

RitzHolman CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Breadsmith Franchising, Inc.

Opinion

We have audited the accompanying financial statements of Breadsmith Franchising, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Breadsmith Franchising, Inc. as of December 31, 2020 , 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. 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 Breadsmith Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility 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; this includes 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 Breadsmith Franchising, Inc.'s ability to continue as going concern within one year after the date that the financial statements are available to be 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 included our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted audit principles will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user a based on the financial statements.

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Board of Directors
Breadsmith Franchising, Inc.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Breadsmith Franchising, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Breadsmith Franchising, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Ritz Holman LLP

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
February 26, 2021

BREADSMITH FRANCHISING, INC.
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash	$ 189,373	$ 96,417
Accounts Receivable	12,947	15,010
Loan Receivable	10,000	---
Prepaid Expense	7,688	10,056
Total Current Assets	$ 220,008	$ 121,483
FIXED ASSETS		
Furniture and Fixtures	$ 10,823	$ 10,823
Computer Equipment	16,560	32,935
Leasehold Improvements	13,935	13,935
Total Fixed Assets	$ 41,318	$ 57,693
Less: Accumulated Depreciation	(35,075)	(48,987)
Net Fixed Assets	$ 6,243	$ 8,706
OTHER ASSETS		
Security Deposit	$ 1,513	$ 1,513
Total Other Assets	$ 1,513	$ 1,513
TOTAL ASSETS	$ 227,764	$ 131,702

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable	$ 20,327	$ 9,455
Accrued Payroll	22,089	25,182
Deferred Revenue - Short-Term	8,501	8,167
Total Current Liabilities	$ 50,917	$ 42,804
LONG-TERM LIABILITIES		
Deferred Revenue - Long-Term	$ 56,916	$ 61,999
Total Long-Term Liabilities	$ 56,916	$ 61,999
Total Liabilities	$ 107,833	$ 104,803
STOCKHOLDERS' EQUITY		
Common Stock, $.10 Par Value; 1,000 Shares Authorized; 1,000 Shares Issued and Outstanding	$ 100	$ 100
Additional Paid-in Capital	2,402	2,402
Treasury Stock	(6,006)	(6,006)
Retained Earnings	123,435	30,403
Total Stockholders' Equity	$ 119,931	$ 26,899
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 227,764	$ 131,702

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INCOME		
Royalties	$ 1,003,091	$ 1,029,526
Franchise Fees	13,500	56,167
Equipment Sales	16,808	94,705
Other Income	201,984	83,439
Total Income	$ 1,235,383	$ 1,263,837
OPERATING EXPENSES		
Total Operating Expenses	984,660	1,169,094
Income From Operations	$ 250,723	$ 94,743
OTHER EXPENSES		
Charitable Contributions	$ 2,626	$ 2,827
Interest Expense	65	122
Total Other Expenses	$ 2,691	$ 2,949
NET INCOME	$ 248,032	$ 91,794

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
RETAINED EARNINGS, BEGINNING OF YEAR	$ 30,403	$ 18,609
Net Income	248,032	91,794
Shareholder Distributions	(155,000)	(80,000)
RETAINED EARNINGS, END OF YEAR	$ 123,435	$ 30,403

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

BREADSMITH FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	$ 248,032	$ 91,794
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	2,463	3,302
Decrease in Accounts Receivable	2,063	1,567
Increase in Loan Receivable	(10,000)	---
Decrease (Increase) in Prepaid Expense	2,368	(2,724)
Increase (Decrease) in Accounts Payable	10,872	(1,186)
Increase (Decrease) in Accrued Payroll	(3,093)	1,131
Decrease in Deferred Revenue	(4,749)	(21,167)
Net Cash Provided by Operating Activities	$ 247,956	$ 72,717
CASH FLOW FROM FINANCING ACTIVITIES		
Shareholder Distributions	$ (155,000)	$ (80,000)
Net Cash Used by Financing Activities	$ (155,000)	$ (80,000)
Net Increase (Decrease) in Cash	$ 92,956	$ (7,283)
CASH AT BEGINNING OF YEAR	96,417	103,700
CASH AT END OF YEAR	$ 189,373	$ 96,417
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	$ 65	$ 122
Income Taxes Paid	---	---

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

BREADSMITH FRANCHISING, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

BREADSMITH FRANCHISING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A - Summary of Significant Accounting Policies

Organization
Breadsmith Franchising, Inc., a Wisconsin Corporation, was incorporated on September 21, 1993, for the purpose of franchising a store specializing in making bread.

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

Allowance for Uncollectible Accounts
Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end.

Property and Depreciation
Property and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets.

Equipment Deposits
Franchisees can order equipment used in their operations from the Company. The Company requires a 60% deposit from the franchisee prior to the order being made to the equipment vendor. The Company uses the deposit to make a required deposit with their equipment vendor at the time the equipment is ordered. The deposits are classified as deferred revenue and deferred expenses until the equipment is installed at the franchise location. As of December 31, 2020 and 2019, there were no equipment deposits on hand.

Advertising
Advertising costs are charged to operations when incurred. Advertising expenses for the years ended December 31, 2020 and 2019, were $10,195 and $10,654, respectively.

Income Taxes
The Company has elected to be treated as a sub chapter S Corporation under section 1361 of the Internal Revenue Code for federal and Wisconsin income tax purposes. Income or loss of the Company is allocated to the shareholders. No income tax provision has been included in the financial statements, since income or loss of the Company is required to be reported by the shareholders on their income tax returns.

Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of December 31, 2020, the Company has no amounts related to unrecognized income tax benefits and no amounts related to accrued interest or penalties. The Company does not anticipate any significant changes to unrecognized income tax benefits over the next year. The income or loss of the Company is reported by the shareholders on their income tax returns in the U.S. federal jurisdiction and the state of Wisconsin jurisdiction. The Company is currently not under audit by any federal or state taxing authority and there are no outstanding tax claims that were filed by such authorities.

NOTE A - Summary of Significant Accounting Policies (continued)

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

NOTE B - Loan Receivable

Breadsmith received an Economic Impact Development Grant of $10,000 under the provisions of the Cares Act. They also received a PPP loan, which was forgiven in mid-December. Under original guidance, this amount was not eligible to be forgiven from the PPP loan amount, and therefore the company paid the $10,000 to the bank to settle the outstanding PPP loan in full. New legislation was passed on December 28, 2020, allowing the EID Grant to be considered in the PPP loan forgiveness, retroactively. The SBA stated further guidance would be issued regarding the actions to be taken, to correct the amount of forgiveness previously granted, and as of 12/31/2020, $10,000 is deemed to be a receivable due from the bank.

NOTE C - Franchise Agreement

The franchise agreement grants to the franchisee the right to use the trade names “Breadsmith” and other service marks, trademarks, and logos within a designated territory. The franchise rights are granted for fifteen years with an option to renew for another fifteen years. Included with the franchise is the use of Breadsmith Franchising, Inc.’s programs for baking, promoting, and operating a quality bread store.

The Company grants each franchisee a designated territory, reviews and approves the franchisee’s site selection, provides the layout design for the facility, provides consultation, assistance and training, and the use of an operation manual prior to the store opening. The Company subsequently provides ongoing consultation and advice regarding the operation of the franchise and the use of its names, marks, systems, recipes, and trade dress in accordance with the terms of the franchise agreement.

In exchange for these services, the Company collects an initial franchise fee and also receives a monthly royalty of between 5% and 7% based on the gross receipts of the franchisee.

NOTE D - Deferred Initial Franchise Fee

Initial franchise fees are received when the agreement is signed. Recognition of income for site selection, store layout, and initial training is deferred until provision of those services is completed. The remaining portion of the initial franchise fee is recorded and recognized over the life of the franchise agreement. The deferred franchise fees were $65,417 and $70,166 as of December 31, 2020 and 2019, respectively.

NOTE E - Foreign Currency Transactions

Breadsmith Franchising, Inc. purchases baking equipment from foreign businesses and remits payment in U.S. dollars. Due to the potential fluctuation of the value of the dollar versus the Euro, differences in the dollar amounts may arise based on any changes in the exchange rate between the date equipment is ordered and when it is billed to the Company. To date, no such material fluctuations have been present.

NOTE F - Defined Contribution Plan

Breadsmith Franchising, Inc. maintains a SIMPLE IRA plan for the benefit of employees. The Company contributes 3% of all eligible participants' compensation into the plan after each payroll period. The total contribution made for the years ended December 31, 2020 and 2019, was $15,087 and $15,742, respectively.

NOTE G - Leases

Breadsmith Franchising, Inc. leases office space under an operating lease agreement that expires May 31, 2024. Rental payments are set to increase every year based on the Consumer Pricing Index for all Urban Consumers, published by the United States Department of Labor, Bureau of Labor Statistics.

The following is a schedule of the future minimum rental payments required under the above operating lease through May 2024.

Year	Amount
2021	$ 36,499
2022	37,283
2023	38,103
2024 - Estimated	16,144
Total	$170,305

NOTE H - Revenue From Contracts With Customers

Effective January 1, 2019, the Company adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606) and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (GAAP). The new guidance requires the Company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Company applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted

NOTE H - Revenue From Contracts With Customers (continued)

and continue to be reported in accordance with legacy GAAP.

Breadsmith Franchising, Inc. collects initial franchise fees of $30,000 upon signing of the franchise agreement. The non-refundable fee constitutes remuneration for screening, interviewing, and processing the franchisee, for consultation regarding the setting up of the business to be operated under the agreement. Management evaluates the progress of the set-up process and defers a portion of the fee accordingly (See note D). After the initial set-up costs are determined, the balance of the franchise fee is recorded over the life of the franchise agreement.

The following shows how franchise fees were accounted for in 2020.

Deferred Franchise Fees, December 31, 2019	$ 70,166
New Franchise Fees Collected in 2020	8,750
Franchise Fees Recognized during 2020	(13,500)
Deferred Franchise Fees, December 31, 2020	$ 65,416

NOTE I - Future Accounting Pronouncements

Accounting Standards Update 2016-02, Leases (Topic 842) will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

Accounting Standards Update 2020-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20) will be effective for fiscal years beginning after December 15, 2021. The amendments in this update represent changes to clarify the codification. An organization shall apply the amendment prospectively. This amendment impacts the effective yield of an existing individual callable debt security.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE J - Subsequent Events

Breadsmith Franchising, Inc. has evaluated events and transactions occurring after December 31, 2020, through February 26, 2021, the date of the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may have an impact on the operations of both the franchisees and the Company itself. At this time there has been no negative impact, as the Company is classified as an essential business. Any potential negative impact could not be determined at this time.

In addition, the Company received PPP Loan proceeds of $125,000 in January 2021. It is projected that the Company will qualify for loan forgiveness of the total amount, in 2021.

EXHIBIT E

FRANCHISE AGREEMENT AND OTHER AGREEMENTS

BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT

DATA SHEET

Franchisee:	
Responsible Party(ies) (if Franchisee is an entity):	
Store Location (non-exclusive area):	
Store Address:	
Store City, State & Zip:	
Notice Address:	
Main Telephone:	
Alternate Telephone:	
Email Address:	
Agreement Date:	

*****The terms of this Data Sheet are incorporated into the attached Franchise Agreement.*****

BREADSMITH FRANCHISING, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made at Whitefish Bay, Wisconsin, as of the Agreement Date set forth on the data sheet attached to this Agreement ("Data Sheet"), by and between BREADSMITH FRANCHISING, INC., a Wisconsin corporation (hereinafter called "Franchisor") and the Franchisee identified on the Data Sheet (hereinafter called "Franchisee").

Franchisee hereby acknowledges that this Agreement was accompanied by a Disclosure Document which Franchisee received at the earlier of: (i) the first personal meeting with Franchisor; (ii) fourteen (14) calendar days prior to the signing of any franchise or related agreement; or (iii) fourteen (14) calendar days before any payment by Franchisee. In addition, Franchisee acknowledges receipt of this Franchise Agreement, containing all material terms, at least seven (7) business days prior to signing this Agreement.

This Agreement is concerned with the offer and sale of franchises for the establishment and operation of a BREADSMITH store and wholesale business featuring the retail sale of hearth baked breads, hearth baked products, food products, and complementary items.

The distinguishing characteristics of the BREADSMITH system include, but are not limited to: the name "BREADSMITH"; color schemes, designs, and layouts for the retail franchise premises; specialized packaging, menus, signs, logos, trade names, domain names; specially provided confidential recipes for hearth baked breads and other foods; and convenient methods for preparing, serving, and merchandising these breads and foods in the BREADSMITH retail premises and on the premises of third party bulk and wholesale accounts.

Franchisee desires to obtain a franchise to operate a BREADSMITH store and to service bulk and wholesale accounts in a restricted area utilizing such concepts, methods, and techniques under the trade style of BREADSMITH and any other trade styles required by Franchisor. Franchisee has submitted an application and other pertinent information, including financial statements, to Franchisor, which fully and truthfully set forth the information therein, and has further advised Franchisor of all persons who will hold an interest in the franchise.

Franchisor and Franchisee, intending to be legally bound, for and in consideration of the mutual covenants set forth herein, do mutually covenant and agree:

I. LICENSE AND DESIGNATED TERRITORY

A. License. Franchisor hereby grants Franchisee the right to use the trade name "BREADSMITH" and such other service marks, trademarks, logos, and copyrights as Franchisor may designate from time to time, and Franchisee is designated as a participant in Franchisor's system to operate a BREADSMITH store at one location only (hereinafter called "store"), and to solicit, establish, and service bulk accounts (accounts that generate sales in volumes greater than single family use as determined by Franchisor, such as, but not limited to, sales to hospitals, restaurants, etc.) and wholesale accounts (resellers, such as grocery stores or restaurants) approved

by Franchisor within a specific designated geographic territory (defined in Paragraph I.B. as the Designated Territory), and only within the Designated Territory, and subject to the provisions of this Agreement.

1. Franchisee's store will be located on a site selected by Franchisee and approved by Franchisor in the non-exclusive Store Location identified on the Data Sheet. At such time as Franchisor has approved a site for the store, the Franchisee and Franchisor shall execute Exhibit 1 attached hereto and the Store Address and Store City, State & Zip shall be listed in the Data Sheet. The designated premises listed in Exhibit 1 and/or the Data Sheet shall hereafter be referred to as "the Franchise Location."

2. Franchisee will not open its store until it has obtained all necessary governmental permits and approvals, and also received Franchisor's written approval to do so. Franchisee shall not change its store location without prior written approval of Franchisor. Franchisor's approval of a site shall in no way be considered an assurance that the store operated at that site will be successful.

3. After Franchisee has opened its retail BREADSMITH store, if Franchisor approves Franchisee to sell bread, other foods, and/or complementary products to bulk and wholesale accounts (which approval will not be unreasonably withheld), Franchisee may begin soliciting bulk and wholesale accounts in its Designated Territory (as defined in Paragraph I.B. below) to which Franchisee can sell breads, other foods, and/or complementary products, subject to the restrictions and obligations described in this Agreement.

B. Designated Territory. During the term of this Agreement, and provided that Franchisee is not in default under this Agreement or any other agreement between Franchisor and Franchisee, Franchisor will not grant to anyone else a Franchise to operate, and will not itself operate, a bakery selling hearth baked products, either under the BREADSMITH name or under any other name, within five (5) miles of the store (such territory hereinafter to be referred to as the "Designated Territory"). This area shall be measured by roads an automobile would travel when leaving the parking space nearest to the front door of the store. Notwithstanding the foregoing, if the site of the Franchise Location is in a regional shopping mall consisting of at least five hundred thousand (500,000) square feet of space, with at least two (2) department stores as anchor tenants, then in lieu of the five (5) mile area, the Designated Territory will be considered the physical boundaries of the shopping mall itself.

Notwithstanding the foregoing, Franchisor shall be permitted to sell franchises or open company-owned BREADSMITH stores at any locations outside the Designated Territory, and to solicit, establish, and service bulk and wholesale accounts, or authorize others to do so, outside the Designated Territory, even if such stores or accounts compete for customers within the Designated Territory. In addition, Franchisor reserves the right to sell, and to assign to others the right to sell fresh and frozen bread, bread related items such as flour, pizzas, grains, cookies and cookie dough, muffins and dipping oils, jams, croutons, and non-bread items, such as cooking utensils, under the BREADSMITH name or under any other name (i) to any person or account, wherever located, through telephone, mail order, and online services, and (ii) through stores

located outside the Designated Territory. However, if Franchisor receives orders by telephone, mail order or online services from persons requesting delivery in the Designated Territory, Franchisor will give Franchisee the first opportunity to fill the order, and Franchisor will not fill the order or reassign it unless Franchisee does not fill the order within twenty-four (24) hours after Franchisor provides the order to Franchisee (or Franchisee advises Franchisor that it does not intend to fill the order). Franchisor also reserves the right to:

1. Sell and assign to others the right to sell frozen breads, frozen par baked bread, frozen dough, frozen pizzas, and other items through supermarkets, department stores, and specialty retail stores, where at least eighty percent (80%) of the revenues of such stores are generated from products not typically offered in BREADSMITH stores, whether such stores are located inside or outside the Designated Territory;

2. Own, franchise, develop, or operate other concepts, including those that involve hearth-baked products, such as pizzas, both inside and outside the Designated Territory; and

3. Sell and assign to others the right to sell prepackaged bakery products under the BREADSMITH name to grocery stores, convenience stores, and other stores that sell prepackaged bakery items, whether such stores are located inside or outside the Designated Territory; provided, however, that once Franchisee opens its store, and so long as that store remains open, Franchisor shall pay to Franchisee a royalty equal to five percent (5%) of the Receipts it receives from the sale of prepackaged bakery products under the BREADSMITH name to stores that are located within two (2) miles of the Franchise Location (measured by roads an automobile would travel when leaving the parking space nearest to the front door of Franchisee's store and driving to the parking space nearest to the front door of the store to which such products are sold). For purposes of this paragraph, "Receipts" shall mean all revenues collected by Franchisor, excluding delivery charges, bad checks, rebates, promotional sales coupons, refunds, or the amount of any sales tax or other similar taxes. Such royalty shall be paid to Franchisee within fifteen (15) days following the end of the month in which such receipts have been received by Franchisor; provided, however, Franchisor shall have the right to offset against any such payments the amount of any obligations owing to Franchisor by Franchisee.

II. TERM AND RENEWAL

A. Term. This Agreement shall be effective and binding from the date as of the Agreement Date set forth in the Data Sheet attached hereto (or, only if no date is provided in the Data Sheet, on the date it is fully signed) and shall continue for a period of fifteen (15) years thereafter.

B. Renewal. Franchisee may, at its option, renew this Franchise for one additional fifteen (15) year term provided that at the end of the initial term and each renewal term:

1. Franchisee has given Franchisor written notice of such election at least two hundred forty (240) days prior to the expiration of the term of this Agreement. Franchisor agrees to give Franchisee written notice, not more than sixty (60) days after receipt of

Franchisee's notice, of Franchisor's decision to renew or not renew the franchise and the conditions or deficiencies in the operation of the store, if any, that Franchisee must correct and the time periods in which such conditions or deficiencies must be corrected. Franchisor shall give Franchisee written notice of a decision not to grant a renewal based upon Franchisee's failure to cure deficiencies not less than ninety (90) days prior to the expiration of this Agreement; and

2. Franchisee is not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its subsidiaries and affiliates, and has substantially complied with all the terms and conditions of such agreements during the terms thereof; and

3. Upon renewal, Franchisee executes Franchisor's then-current form of franchise agreement, which agreement shall supersede in all respects this Agreement, and the terms of which may differ materially from the terms of this Agreement, including, without limitation, the then-current royalty fee, advertising contributions, and revisions of the Designated Territory. Franchisee will not be required, however, to pay any new initial fees in connection with the renewal. Franchisee further acknowledges that the term of this Agreement without renewal provides Franchisee more than a sufficient opportunity to recoup its investment in the Franchise and to earn a reasonable return on that investment; and

4. Franchisee executes a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees; and

5. Franchisee maintains possession of, and continues to operate, at least one Franchise Location; and

6. Franchisee remodels the Franchise Location to bring the inside and outside of the Franchise Location, and all equipment, computers, and software, up to the then-current standards of Franchisor prior to the commencement of the renewal term; and

7. Prior to renewal, Franchisee, at Franchisee's expense, attends and successfully completes, to Franchisor's reasonable satisfaction, any retraining program Franchisor may prescribe in writing; and

8. Franchisee pays to Franchisor a renewal fee of Three Thousand Dollars ($3,000.00).

If Franchisor does not provide Franchisee with notice of non-renewal of the Franchise, but Franchisee does not sign a new Franchise Agreement prior to expiration of the term of the Franchise, or otherwise fails to meet any condition for renewal of the Franchise that is not waived by Franchisor, and Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, this Agreement will be treated as if it had renewed on a month-to-month basis (the "Interim Period") with royalties adjusting to a straight line 7% for all Gross Receipts (retail or wholesale) until one party provides the other with written notice of such party's

intention 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. Notwithstanding anything set forth herein to the contrary, (i) all obligations of Franchisee shall remain in full force and effect during the Interim Period as if the term of the Franchise had not expired, and (ii) all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall commence upon termination of the Interim Period.

III. INITIAL FRANCHISE FEES

A. Minimum Development Fee. The Initial Franchise Development Fee is Thirty Thousand Dollars ($30,000.00). The entire Initial Franchise Development Fee is payable in full upon execution of this Agreement.

B. Consideration. Franchisee hereby acknowledges and agrees that the grant of this Franchise and the undertakings and agreements of Franchisor contained in this Agreement constitute the sole and only consideration for the payment of the Initial Franchise Development Fee except as may be otherwise provided in this Agreement. The Initial Franchise Development Fee shall be fully earned by Franchisor upon the signing of this Agreement and constitutes remuneration for screening, interviewing, and processing Franchisee and for consultation regarding the setting up of the business to be operated under this Agreement.

IV. STORE LEASE

Franchisee shall lease or buy the Franchise Location directly from its owner. In the case of a lease, the term of the lease shall be no less than five (5) years and the final Lease Agreement, including the terms of any renewals of the Lease Agreement available to Franchisee, shall not be executed by Franchisee without the prior written approval of Franchisor. Franchisee agrees to collaterally assign any Lease to Franchisor as security for Franchisee's timely performance of all obligations under this Agreement and secure the Lessor's consent to such collateral assignment. The assignment shall be accomplished by execution of a Collateral Assignment of Lease Agreement, in the form of Exhibit 2. Franchisee acknowledges that Franchisor's approval of any Lease for its store does not constitute a guarantee or warranty by Franchisor, express or implied, of the successful operation or profitability of a BREADSMITH store operated at the premises. The Franchise Location shall be used for no purpose other than the operation of a BREADSMITH store.

V. IMPROVEMENTS, EQUIPMENT, AND FIXTURES

A. Franchisee Obligations. Franchisee shall, at its sole expense, effect leasehold improvements and install such signs, pictures, fixtures, furniture, and equipment at the store, and at any wholesale account location serviced by Franchisee under Paragraph VII. R. of this Agreement, as are required in accordance with Franchisor's current requirements and specifications in effect at the time of making the improvements or installations.

B. Store Plans and Specifications. Franchisor shall provide Franchisee with a sample layout for the interior of a typical BREADSMITH store and with a set of typical preliminary plans and decor specifications used by Franchisor at the time of commencement of construction.

Franchisee shall, at its sole expense, employ architects, designers, engineers, or others as may be necessary to complete, adapt, modify, or substitute the sample plans and specifications for its store. Franchisee shall submit to Franchisor a complete set of final plans and specifications prior to commencing construction of its store. Franchisor shall review such plans and specifications promptly and approve or provide comments on the plans and specifications to Franchisee. Franchisee shall not commence construction of its store until Franchisor approves in writing the final plans and specifications to be used in constructing the store. Franchisor shall consult with Franchisee, to the extent Franchisor deems necessary, on the construction and equipping of its store, but it shall be and remain the sole responsibility of Franchisee to diligently design, construct, equip, and otherwise ready and open its store on a timely basis.

C. Construction Obligations of Franchisee. Franchisee shall use a licensed general contractor satisfactory to Franchisor to perform construction work at its store. Franchisor shall not be responsible for delays in the construction, equipping, or decoration of Franchisee's store or for any loss resulting from the store design or construction since Franchisor has no control over the Landlord or developer, or construction-related problems that could occur and delay the opening of Franchisee's store. Franchisee shall provide a construction timeline for approval. Franchisor must approve in writing all changes in store plans prior to construction of the store or implementation of such changes. Franchisor shall have access to the Franchise Location while work is in progress and may require such reasonable alterations or modifications of the construction of the store as Franchisor deems necessary.

Franchisor may make a final inspection of the completed store prior to opening and any wholesale displays installed by or at the direction of Franchisee, and may require such corrections and modifications as Franchisor deems necessary to bring the store or wholesale display into compliance with approved plans and specifications. Franchisee shall not open its store if the store does not conform to the plans and specifications approved by Franchisor, including changes thereof approved by Franchisor. Failure by Franchisee to correct any unauthorized variance from the approved plans and specifications promptly or, subject to fire, flood, earthquake, or other similar causes beyond Franchisee's control, to open its store within nine (9) months after the execution of the Franchise Agreement or any scheduled opening date set by Franchisor after completion of the premises may result in the termination of this Agreement.

D. Changes in Location by Franchisee. If Franchisee changes the location of its store at any time during the term of this Agreement or any extensions or renewals hereof, subject to other provisions of this Agreement, Franchisee shall pay Franchisor the fee of one thousand dollars ($1,000) for suggested layout plans for the new location as well as plan reviews and final approval.

E. Fixtures, Leasehold Improvements and Equipment. All leasehold improvements shall be constructed according to the exact specifications of Franchisor in effect at the time the improvements are made. All equipment for Franchisee's business, must also meet the exact specifications of Franchisor, including brand and model number, where designated. Franchisor will designate specific or approved suppliers from whom such items can be purchased. If Franchisor designates a specific supplier for any items, Franchisee must purchase the items from the designated supplier. Franchisee acknowledges that Franchisor or its affiliates may be the sole

designated supplier of some or all fixtures, leasehold improvements, equipment, or supplies that Franchisee is required to purchase.

F. Exterior and Interior Signs. All signs used at the Franchise Location, and in any wholesale displays, both exterior and interior, must conform to Franchisor's sign criteria at the time the signage or display is installed as to type, color, size, design, and location. All signs must be approved in writing by Franchisor prior to installation or display.

G. Specific and Approved Suppliers. If Franchisor designates an approved supplier for any items, but does not designate that supplier as the sole, specific provider for such items, then so long as the items purchased by Franchisee meet the exact specifications of Franchisor at the time of purchase, Franchisee may request approval for the purchase of such items from other sources by following the requirements specified in Paragraph IX.B., but Franchisor may deny such request for any reason. If Franchisor grants its approval to any variance in specification or in an approved supplier, which approval shall be left to the sole discretion of Franchisor, Franchisee shall remain responsible for any increased costs in such items, and in the design, construction, utilities, or installations necessitated by such substitutions. Franchisee acknowledges that Franchisor and its affiliates may be approved suppliers.

H. Upkeep and Maintenance. Upkeep, maintenance, and repair of the store and all wholesale displays is the sole responsibility of Franchisee. Franchisee shall maintain pictures, equipment, decor, furnishings, fixtures, and all other tangible property in the Franchise Location in excellent condition and repair, and shall replace any of the store's equipment or fixtures, or Franchisee's wholesale displays, which become obsolete or mechanically impaired to the extent that such equipment, fixtures, or displays no longer adequately perform the functions for which they were originally intended. Replacement equipment, fixtures, and displays shall be of the same type and quality as are being used in BREADSMITH stores being installed at the time replacement is required. All replacement pictures, decor, equipment, displays, and fixtures shall comply with Franchisor's requirements and specifications. Any fees payable to Franchisor in connection with maintenance services or repair of Franchisee's equipment, displays or other tangible personal property, or for the sale to Franchisee by Franchisor of spare parts, shall be due upon receipt of an invoice therefore, provided, however, any fees payable to Franchisor for special order spare parts shall be paid by Franchisee prior to Franchisor's placement of the order for such parts.

I. Indemnification of Franchisor. Franchisee is strictly responsible for the acts or omissions of its contractors regarding compliance with all specifications and requirements provided for by Franchisor, and Franchisor shall have no responsibility for such acts or omissions. Franchisor shall not be liable for any loss or damage arising from the design or plan of the store, or any wholesale displays by reason of its approval of plans and specifications or otherwise. Franchisee shall indemnify Franchisor for any loss, cost, or expense, including attorneys' fees, that may be sustained by Franchisor because of the acts or omissions of Franchisee's contractors or arising out of the design or construction of the store or any wholesale display units.

J. Remodeling. Franchisee shall be required to periodically make reasonable capital expenditures to remodel, modernize and re-decorate the Franchise Location and any wholesale displays serviced by Franchisee so that the premises and wholesale displays reflect the current

image intended by Franchisor to be portrayed by BREADSMITH facilities. All remodeling, modernization and redecoration of the Franchise Location and any wholesale displays serviced by Franchisee must be done in accordance with the standards and specifications prescribed by Franchisor from time to time and with the prior written approval of Franchisor. All replacements must conform to Franchisor's then-current quality standards and specifications and must be approved by Franchisor in writing. Franchisor may, but shall not be obligated to, inspect such work at any time to determine that the work is done in accordance with Franchisor's approved plans and specifications. In addition to remodeling of the store that may be required at the time of renewal of this Agreement, Franchisor shall not require Franchisee to remodel, modernize and re-decorate the Franchise Location more than once during the initial term of the Franchise Agreement or more than once during any renewal term thereof. If Franchisee has complied with Franchisor's previous remodeling requirements, Franchisor shall not require Franchisee to remodel the Franchise Location during the last four (4) years of the term of this Agreement unless Franchisee elects to renew the Franchise.

VI. TRAINING, PRE-OPENING, AND OPENING ON-SITE ASSISTANCE, AND INSPECTIONS

A. Initial Training Program. Franchisor shall provide an initial training program to Franchisee and a designated employee of Franchisee at a BREADSMITH store located in Milwaukee, Wisconsin, or at such place as designated by Franchisor, and at a time as close to the designated store opening date as possible, as determined by Franchisors in its sole discretion. Franchisee is responsible for all of Franchisee's travel, lodging, and meal expenses. Such training may be in a group format with other franchisees, is given prior to the opening of the store, and is for a period of approximately three (3) weeks. Franchisor shall establish the schedule for training as it deems appropriate.

B. Initial On-site Assistance and Additional Assistance. Upon execution of this Agreement, Franchisor and Franchisee will select a target opening date for the store. Provided this date does not change, or if it is changed, Franchisee notifies Franchisor of the new date and Franchisor has a crew available to assist Franchisee with the opening of the store, Franchisor will provide Franchisee with opening assistance for a period of up to twelve (12) days (the exact number of days to be determined by Franchisor in its sole discretion) ("Initial On-site Assistance Period"). While the Initial On-site Assistance Period typically commences approximately seven (7) days prior to opening the store to customers for business, Franchisor may vary the scheduling. This assistance includes assistance from one (1) member of Franchisor's operations staff, one (1) designated trainer, and a representative of Franchisor's marketing team. Franchisor will provide such staff at its expense during the Initial On-site Assistance Period. If Franchisee requests, and if Franchisor agrees and has personnel available, Franchisor may provide additional on-site assistance following the Initial On-site Assistance Period. All costs, including lodging and meals, and per diem charges that may be incurred by Franchisor's personnel providing such additional on-site assistance shall be paid by Franchisee. The training and store opening during the Initial On-site Assistance Period must not occur during the week of Easter, Memorial Day, 4th of July, Labor Day, the week before and of the Breadsmith Conference, or during the period of the third (3rd) week of November through January 1st.

C. Completion of Training to Franchisor's Satisfaction. Pursuant to the terms of this Agreement, Franchisee understands that it is of paramount importance that Franchisee and its employees and representatives know the BREADSMITH system. Therefore, failure to complete Franchisor's training to the satisfaction of Franchisor will result in a delay in the opening of the store, and Franchisee or its employees, at Franchisee's cost, must either retake the training program or send one (1) other designated person, approved by Franchisor, to Franchisor's training program.

D. Manager Training. If Franchisee at any time reduces its direct personal daily operating activities in the store to less than an average of forty (40) hours per week, Franchisee must designate a manager to supervise its store, and immediately notify Franchisor of the designation of the manager. Franchisor shall provide a training program to the manager, consisting of approximately three (3) weeks of training, as Franchisor determines, at a site to be designated by Franchisor. Franchisee will send its manager to this training program, will pay all expenses of the manager for attendance at the program, and will pay a fee to Franchisor for providing the training. Franchisee will also pay a one-time fee of five thousand dollars ($5,000) prior to commencement of the manager's training ("Non-Owner Manager Fee"). If the manager leaves Franchisee's employment, the same procedures shall apply to the designation and training of a subsequent manager, except that no additional Non-Owner Manager Fee will apply. No manager may supervise the store until completion of the training described herein to Franchisor's satisfaction.

E. Requesting Additional Training. If Franchisee desires additional training for itself or its employees, Franchisee may request additional training from time to time and Franchisor may choose, but is not required, to provide such training to Franchisee, or Franchisee's manager, at such times and places and for such duration as Franchisor deems necessary; provided that Franchisee is required to pay the cost of such additional instruction and training, including the cost of transportation, meals, lodging, and the current charge for the services of Franchisor's representative, which costs shall be paid in advance.

F. Required Additional Training. Franchisor, in its sole discretion, may require any person or persons employed in a managerial or other responsible capacity by Franchisee to complete additional training designated by Franchisor, subject to the required costs of training additional persons. Franchisee specifically agrees that only persons trained by Franchisor, or Franchisor's designated trainers, shall have overall responsibility for the operation of the store and that Franchisee will send each manager to Franchisor for training if so requested by Franchisor, and will pay Franchisor the charges imposed by Franchisor for such training.

G. Inspection. Franchisor will inspect the Franchise Location from time to time to ensure uniformity and quality control. Franchisor's personnel or designated agent shall have the right to enter the store at any reasonable time and without prior notice to Franchisee for the purpose of examination, conferences with Franchisee or its employees, inspection of operation and testing of products and items sold in the store, auditing, and all other purposes connected to determining and ensuring that the store is being operated in accordance with the terms of this Agreement, the mandatory provisions of Franchisor's Confidential Manuals, wholesale standards, and other applicable rules. Franchisee will allow Franchisor's personnel or representatives on the store premises to monitor the operation of the cash registers in the store for

such periods of time as Franchisor may determine to be necessary at no expense to Franchisee. Franchisee agrees to remedy any defects, deficiencies, or unsatisfactory conditions discovered at the store by Franchisor's personnel immediately upon being advised of same.

VII. FRANCHISE OPERATION

In order to protect the goodwill and trade practices of Franchisor, it is agreed as follows:

A. Standards of Quality. Franchisor has developed and shall continue to develop certain baked goods and other food and retail products which will be prepared by or for Franchisee according to Franchisor's proprietary recipes and formulas. Franchisor has also developed and shall continue to develop standards and specifications for the preparation of baked goods and other food and retail products, ingredients, spices, mixes, materials and/or supplies incorporated in or used in the preparation, baking, serving, packaging, catering and/or delivery of baked goods and other food and retail products. Standards and specifications shall be established at Franchisor's sole discretion and may be modified from time to time by Franchisor without limit.

Franchisor shall at all times during the term of this Agreement determine the standards of quality, service, and advertising for the store. Franchisor has developed and continues to develop a proprietary recipe program that it will provide for use by Franchisee in the operation of its store and in servicing bulk and wholesale accounts. Franchisee shall not sell any product, service, or other item at the store or through bulk or wholesale accounts, or otherwise, that has not been approved in writing by Franchisor. All menu items shall be made in strict compliance with Franchisor's specifications, recipes, standards (wholesale and retail) and requirements as from time to time prescribed by Franchisor. Franchisee shall submit to Franchisor for approval all contemplated menu changes and all additions to or deletions from the items sold in the store. Franchisor may approve or deny any such submissions in Franchisor's sole discretion. Franchisee agrees not to make such changes without the prior written consent of Franchisor.

B. Confidential Manuals. The mandatory provisions of Franchisor's manuals, guides, guidelines, policies, procedures, handbooks, and binders, whether in electronic, print, or any other form, developed from time to time by Franchisor, shall govern the operation of Franchisee's business. (For purposes of this Agreement, such manuals, guides, guidelines, policies, procedures, handbooks and binders developed from time to time by Franchisor are referred to herein collectively as the "Confidential Manuals.") Changes in the provisions and in other recommended standards, specifications, and procedures in the Confidential Manuals may be made by Franchisor as deemed advisable by Franchisor. Franchisee will operate its business in accordance with the mandatory standards, specifications, and procedures set forth in the Confidential Manuals, will comply with any changes in such mandatory standards, specifications, and procedures as may become necessary and desirable as determined by Franchisor in its sole discretion, and Franchisee will accept as reasonable any modifications, revisions, and additions to the Confidential Manuals which Franchisor believes to be necessary. Franchisor shall loan to Franchisee an electronic or print copy of the Confidential Manuals within a reasonable time after signing this Agreement. Franchisee shall retain the Confidential Manuals on its store premises and will keep such Manuals up to date by inserting any supplements and amendments provided by

Franchisor. Franchisee shall not make any copies of the Confidential Manuals and shall return the Confidential Manuals to Franchisor immediately upon termination or expiration of this Agreement. Franchisor may also add additional manuals from time to time which shall be deemed to be included in the definition of "Confidential Manuals."

Franchisee acknowledges and agrees that all mandatory specifications, standards, and operating procedures, and all minimum inventory standards, prescribed from time to time by Franchisor in the Confidential Manuals or otherwise communicated to Franchisee in writing, shall constitute binding obligations on the part of Franchisee as if fully set forth herein, and any failure by Franchisee to adhere to such mandatory specifications, standards and operating procedures shall constitute a material default and be grounds for termination of this Agreement by Franchisor, as provided herein. Franchisee further acknowledges that the Confidential Manuals are designed to protect Franchisor's standards, systems, names, and marks, and not to control the day-to-day operation of Franchisee's BREADSMITH store.

Franchisor shall also loan to Franchisee an electronic or print copy of certain cookbooks and recipe books within a reasonable time after signing this Agreement. Franchisee shall retain these cookbooks and recipes on the store premises and will keep such cookbooks and recipes up to date by inserting any supplements and amendments provided by Franchisor. Franchisee shall not make any copies of the cookbooks and recipes, and shall return the cookbooks and recipes to Franchisor immediately upon termination or expiration of this Agreement. Changes in the cookbooks and recipes may be made by Franchisor as deemed advisable by Franchisor. Franchisee acknowledges and agrees that the information contained in the cookbooks and recipes is confidential and proprietary to Franchisor. Franchisee shall bake its products in strict adherence to the cookbooks and recipes and any failure by Franchisee to adhere to such cookbooks and recipes shall constitute grounds for termination of this Agreement by Franchisor, as provided herein. Franchisee further acknowledges that these cookbooks and recipes are designed to protect Franchisor's standards, systems, names, and marks, and not to control the day-to-day operation of Franchisee's BREADSMITH store. All references herein to this Agreement shall include all mandatory specifications, standards, and operating procedures contained in the Confidential Manuals and shall also include the information contained in any cookbooks or recipes loaned by Franchisor to Franchisee.

C. Trade Practices. Franchisee agrees that Franchisor has the sole rights to the trade practices used in the BREADSMITH system and that no goodwill associated with any of the trade practices shall inure to Franchisee. It is further agreed that the items of the trade practices constitute trade secrets of Franchisor which are revealed to Franchisee in confidence, and Franchisee will not, at any time during the term of this Agreement, or any time thereafter, use or attempt to use the trade practices in connection with any other entity or business in which Franchisee has an interest, direct or indirect, nor shall Franchisee disclose, duplicate, reveal, sell, or sublicense the trade practices or any part thereof or in any way transfer any rights in the trade practices except as authorized by Franchisor.

D. Names and Marks. Franchisee, in conducting its BREADSMITH store and in servicing bulk and wholesale accounts, shall use all trade names, trademarks, and service marks, in such art form and in such logo form, as specified by Franchisor. Franchisee acquires no rights in, and shall not under any circumstances use, the trade names, trademarks, or service marks

outside the Designated Territory, except at specific bulk or wholesale account locations approved by Franchisor under Paragraph VII.R. or Paragraph VIII of this Agreement, and then only so long as such approval remains in effect. Franchisee further acknowledges that Franchisor may, at Franchisor's sole discretion, modify, substitute or discontinue use of any trade names, trademarks, service marks, logos, domain names, or other commercial names or symbols (hereinafter called "Names"), or use one or more additional or substituted Names, and Franchisee agrees to operate under such Names as directed by Franchisor, in Franchisor's discretion, and to immediately cease using such Names when directed by Franchisor in writing. Franchisor shall have no obligation to reimburse Franchisee for any expenditures made by Franchisee to modify or discontinue the use of any Names, or to adopt additional Names, including, without limitation, any expenditures relating to advertising or promotional materials, or to compensate Franchisee for any alleged goodwill related to the discontinued Names.

Franchisee shall not establish its own website, webpage, or social media account for the business or any other on-line usage that represents the business without prior written approval from Franchisor. Franchisor can revoke the approval for Franchisee's website, social media account, or any other on-line usage, or require specific conditions or content, at any time for any reason.

If it becomes advisable at any time in the discretion of Franchisor to modify or discontinue use of any Names or to use one or more additional or substitute Names, Franchisee is obligated to abide by any instruction from Franchisor to do so, and Franchisor is under no obligation to reimburse Franchisee for any expenditures, including, without limitation, any expenditures relating to advertising or promotional materials, or to compensate Franchisee for any alleged goodwill related to the discontinued Names. Franchisee agrees not to contest Franchisor's title to any Names.

Franchisee may not use the Names in connection with the operation of a business at any location other than its BREADSMITH store and at bulk and wholesale locations approved by Franchisor, and it shall not use the Names in connection with the name of any corporation, partnership or limited liability company involved in this business. Franchisee acknowledges it has no ownership, title or interest in the Names other than that granted herein for use in operation of its business in compliance with this Agreement, that Franchisor is the sole owner of the Names, and that any goodwill generated by the use of the Names, including any customer lists, shall belong to Franchisor. Franchisee shall not infringe upon or contest the validity of the Names or assist any other person in infringing upon or contesting the validity of the Names.

Franchisee shall notify Franchisor immediately in writing of any infringement of or challenge to Franchisee's use of any Names, or claim by any person of any right in any of the Names, or in any similar trade name, trademark, or service mark. Franchisee shall not communicate with anyone other than Franchisor and its 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 or administrative proceeding related to the Names, including the right to settle any such actions or proceedings.

E. Maintenance of Exterior and Interior Decor. Franchisee shall at all times maintain the interior and exterior of its store and the surrounding area, and of all wholesale displays, in the

highest degree of cleanliness, orderliness, and sanitation, and shall also comply with the requirements of the Confidential Manuals regarding the upkeep and decor of the store and all wholesale displays. Franchisee shall immediately comply with all orders and regulations of applicable federal, state and local health and safety administrations. Franchisee shall repair, refinish, or paint the exterior and the interior of the Franchise Location and any wholesale displays at its own expense at such times as reasonably directed by Franchisor.

F. Hours of Operation. Franchisee shall operate its store a minimum of six (6) days per week during hours established by Franchisee and approved in writing by Franchisor. Franchisor shall not unreasonably withhold its approval of set hours of operation.

G. Store Supervision. Franchisee's store shall at all times be supervised on a full-time basis by Franchisee, or if Franchisee is a corporation, partnership, or limited liability company, by the principal shareholder, partner, or managing member of such entity ("Principal Owner"). All other persons involved in the management of the business must be trained to the satisfaction of and approved by Franchisor in the methods and procedures of the franchised system. At all times during which the store is open, at least one of these persons must be physically on the premises of the store to oversee the preparation of food products and supervise personnel and accounting at the store. Franchisee acknowledges that Franchisee's failure to comply with this provision at all times will jeopardize the viability of Franchisee's business and is a material default of this Agreement that permits Franchisor to terminate this Agreement.

H. Franchisee's Efforts. Franchisee shall devote its full time efforts to the operation of its franchised business throughout the term of this Agreement. Notwithstanding the foregoing, Franchisee may designate a manager to supervise the store, provided Franchisee complies with the provisions of Paragraph VI.D with respect to the training of such manager. Franchisee shall exert its best efforts to establish, maintain, and increase sales of food and other products approved for sale by Franchisor under the BREADSMITH trademarks, service marks, and trade names, and shall at all times maintain a supply of such food and other products to meet public demand.

I. Personnel. All personnel employed by Franchisee shall maintain such standards of sanitation, cleanliness, and demeanor as shall be established by Franchisor. All personnel performing managerial or supervisory functions, all personnel receiving special training and instruction, and all persons employed by Franchisee having access to any of Franchisor's trade practices or other Confidential Information shall execute a confidentiality, non-competition, and non-solicitation agreement in the form prescribed by Franchisor, pursuant to which such personnel shall agree not to work for any competitor of Franchisor or Franchisee during the period of their employment and for a period of two (2) years following the conclusion of such employment within five (5) miles of any BREADSMITH location, whether operated by Franchisor or any franchisee. Such agreement shall name Franchisor as a third party beneficiary of the agreement with the right to enforce its terms. Franchisee shall, at its sole expense and upon written order of Franchisor at Franchisor's sole discretion, enforce such agreement where valid under applicable law. Franchisee acknowledges that any form of confidentiality, non-competition, and non-solicitation agreement that Franchisor requires Franchisee to use, provides to Franchisee, or regulates the terms of may or may not be enforceable in a particular jurisdiction. Franchisee agrees that Franchisee is solely responsible for obtaining Franchisee's own professional advice with respect

to the adequacy of the terms and provisions of any confidentiality and non-compete agreement that Franchisee's employees, agents, and independent contractors sign.

J. Point of Sale System. Franchisee shall record all store sales in a point of sale system ("POS") specified by Franchisor. Franchisee shall purchase the POS for its store from the manufacturer(s) or seller(s) designated by Franchisor (which may include Franchisor or its affiliate), and must purchase all hardware, software, licenses, and equipment associated with the POS (together with the POS, the "POS System") that Franchisor specifies. Franchisor may, at Franchisor's sole discretion, require the use of a new, updated POS or POS System (or any component of the POS System), and Franchisee agrees to purchase such POS or POS System within sixty (60) days of notice from Franchisor of the new requirements. All financial records must be kept by Franchisee for at least five (5) years following the end of the fiscal year to which they relate.

K. Sale of Franchisor's Products. Franchisee shall not sell, dispense, give away, or otherwise provide Franchisor's products or services bearing Franchisor's trademarks, trade names, or service marks, except by means of retail sales in the store or bulk or wholesale sales within the Designated Territory, unless specific written approval from Franchisor is obtained, which approval can be withheld or withdrawn for any reason. Franchisee will at all times carry a representative sample of the various products prescribed by Franchisor as may be more specifically detailed by Franchisor, including all designated daily breads. Franchisee will at all times maintain minimum inventories of these products to satisfy the reasonable demands of its customers throughout the day. Franchisee will not carry or sell any product or service that has not been approved in writing by Franchisor.

L. Franchisor's Employees. Franchisee shall not interfere with the employees or agents of Franchisor or other franchisees in the performance of such employees' or agents' duties, and Franchisee further agrees that Franchisee will not employ any of Franchisor's or other franchisees' employees or agents, or employees or agents of Franchisor's parent or affiliate, for a period of at least one (1) year following the separation of any such employee from employment by another franchisee, Franchisor, Franchisor's parent or affiliate, or the termination of an agency relationship with Franchisor or its parent or affiliate, without the written approval of the franchisee or Franchisor, as the case may be.

M. Franchisee's Cooperation. Franchisee shall cooperate with Franchisor in taking any action or refraining from taking any action which, in the judgment of Franchisor, is necessary or desirable to promote and enhance the quality of the products offered in the store, the service provided by the store, or the image of the store in the community. Franchisee shall attend all meetings and training sessions as Franchisor deems mandatory and as Franchisor deems in the best interest of the system as a whole. Except to the extent Franchisor unilaterally offers to pay all or part of the cost of attendance, the cost of attending said meetings shall be borne by Franchisee, including the cost of transportation, meals, lodging, and a reasonable charge for the services of Franchisor's training representative.

N. Menu Format. A standard menu format is required by Franchisor and shall be used by Franchisee in its store and in all bulk and wholesale accounts. Franchisor may change

the standard menu format, including daily breads, at any time and from time to time. No changes, additions, or deletions in the menu format to be used at the store or in bulk or wholesale accounts shall be adopted by Franchisee unless first approved in writing by Franchisor. Notwithstanding the foregoing, prices that appear on the menus shall be established exclusively by Franchisee.

Franchisee also acknowledges and agrees that if Franchisor requires Franchisee to offer new or substitute products or services not currently offered at BREADSMITH stores, Franchisee agrees to offer such products or services in strict compliance with Franchisor's specifications, standards, and procedures prescribed in writing or in the Confidential Manuals and to diligently pursue obtaining any permits and take such actions (including, without limitation, constructing improvements and acquiring fixtures, furnishings, equipment, supplies, and materials) required to offer such products and/or services. Franchisee acknowledges and understands that such modifications to the services and/or products to be offered in the store may require Franchisee to incur additional costs and expenses to operate the store, including, without limitation, the purchase and/or lease of additional or substitute furnishings, fixtures, vehicles or equipment, and Franchisee agrees to incur such expenses in connection therewith.

Franchisee acknowledges that Franchisor may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to company-owned, affiliate-owned, and franchised BREADSMITH stores. Franchisee agrees that its store will participate in such "mystery shopper" programs, as prescribed and required by Franchisor, and as may be more fully described in the Confidential Manuals or in writing by Franchisor. Franchisee agrees to timely pay the then-current charges imposed by such evaluation service for its store's participation in such program.

O. Store Compliance with Laws, Standards, and Procedures. Franchisee shall operate the store in strict compliance with all applicable laws, rules, and regulations and in strict compliance with the standards and procedures established by Franchisor. All costs that may be incurred in order to maintain and implement such standards and procedures shall be borne by Franchisee at its sole expense. Because complete uniformity under varying conditions may not be possible or practical, Franchisor reserves the right, at Franchisor's sole discretion, to vary standards and procedures for any franchisee based on any condition that Franchisor deems to be of importance to such franchisee's business. Franchisee accepts the necessity of such variances in special cases, and although Franchisee may request a similar variance if its condition is similar, no variance to one franchisee shall ever imply or require a variance of standards or procedures to any other franchisee.

Franchisee shall obtain all licenses required for the full and proper conduct of its business, including, without limitation, building and other required construction permits, fictitious name registrations, sales tax permits, health department registrations, and fire clearances. Copies of all subsequent inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement which indicate Franchisee's failure to meet or maintain the highest governmental standards or less than full compliance with any applicable law, rule, or regulation shall be mailed to Franchisor within three (3) days of Franchisee's receipt thereof.

P. Uniforms and Attire. Franchisor shall be entitled to prescribe standard uniforms and attire for Franchisee, all store personnel of Franchisee, and for personnel servicing wholesale

accounts in order to enhance Franchisor's product and format. Franchisee may obtain such uniforms and attire from any manufacturer or distributor, so long as written approval is received from Franchisor, which approval will be granted as long as the uniforms are of a reasonable quality and in strict accordance with Franchisor's design and other specifications.

Q. Vending Machines. No vending machines, amusement devices, video machines, or other devices of any nature, except as approved by Franchisor, whether or not coin operated, shall be installed or used at the store.

R. Bulk and Wholesale Sales. Franchisee may sell breads, and those foods and other products designated by Franchisor to bulk and wholesale accounts within the Designated Territory, provided Franchisee obtains Franchisor's prior written approval with respect to any bulk and wholesale sales and provided Franchisee complies with all standards and specifications established by Franchisor with respect to such sales. These standards and specifications may be established and modified from time to time by Franchisor at Franchisor's sole discretion. Franchisee acknowledges that approval by Franchisor to make bulk and wholesale sales will not generally be given until the store has been open for at least ninety (90) days. Franchisee shall at all times comply with all rules and standards concerning the servicing and solicitation of National and Regional Accounts, including but not limited to those described in Paragraph VIII of this Agreement.

1. After Franchisee's store has opened, Franchisor will provide to Franchisee guidelines for solicitation of bulk and wholesale accounts. After receiving those guidelines, and after receiving Franchisor's approval to sell and service bulk and wholesale accounts, Franchisee shall conduct market research to determine the location and viability of potential bulk or wholesale accounts in the Designated Territory and to further determine the number of such potential accounts. Franchisee shall be solely responsible for ensuring that all solicitation of bulk and wholesale accounts is conducted in accordance with local, state, and federal law.

2. Franchisee shall use a clean, well-maintained, professional-looking, dependable vehicle that is approved by Franchisor prior to service of bulk and wholesale accounts, and that at all times meets Franchisor's specifications. All graphics, colors, and design elements of delivery vehicles must be provided or approved by Franchisor. If required by Franchisor, Franchisee shall purchase and use wholesale billing, delivery, inventory, tracking, or other equipment as may be specified by Franchisor for each delivery person and/or delivery vehicle involved in the service of bulk and wholesale accounts. Franchisee shall also comply with any other standards that may be promulgated from time to time by Franchisor pertaining to delivery vehicles.

3. All areas located outside of the Designated Territory and not otherwise licensed to other franchisees belong to Franchisor. Franchisee may not solicit, establish, or service bulk or wholesale accounts outside of the Designated Territory without the prior written approval of Franchisor of each specific account. Such approval may be withheld for any reason. If Franchisor approves Franchisee soliciting, establishing, or servicing a bulk or wholesale account outside the Designated Territory, such approval (i) shall be considered temporary in nature, (ii) shall be subject to and conditioned upon Franchisee's

compliance with all the provisions of this Paragraph VII.R., and all standards and specifications required from time to time by Franchisor, whether or not such standards and specifications are deemed by Franchisee to be reasonable or are uniform throughout the BREADSMITH system, (iii) may be revoked by Franchisor at any time upon thirty (30) days' prior notice to Franchisee, without compensation to Franchisee, and (iv) shall not give Franchisee any additional rights in any area outside the Designated Territory, it being recognized by Franchisee that such rights belong exclusively to Franchisor, to be retained, allocated, assigned or licensed by Franchisor as Franchisor determines in its sole discretion. Notwithstanding the foregoing, Franchisee may service wholesale or bulk accounts in a designated territory assigned to an existing BREADSMITH franchisee (i) if Franchisee first obtains the written approval of such other franchisee, and also Franchisor's written approval, which approval can be withheld for any reason, and (ii) subject to all of the conditions set forth in this Section 3.

4. Franchisee may not sell non-bread items to bulk or wholesale accounts and may only sell such bread items as are approved by Franchisor for sale to such accounts. Franchisor may, upon request of Franchisee or upon request by other BREADSMITH franchisees, approve additional products on a test or seasonal basis, and such approval may be withdrawn at any time upon thirty (30) days' prior notice to Franchisee. Approval for the sale of items to bulk or wholesale accounts may be withheld for any reason, including but not limited to concerns of Franchisor that these products will be resold in a manner that is not consistent with the goodwill of Franchisor. Approvals previously given may be revoked at any time upon thirty (30) days prior notice to Franchisee.

5. All bulk and wholesale accounts must be regularly serviced by Franchisee.

6. Franchisee may permit its bulk and wholesale accounts to display Franchisor's names and marks in a manner approved by Franchisor in the interior and on the exterior of the wholesale account's business location(s), provided it is clear to the public that the wholesale account's business location is not a Breadsmith corporate or franchise location, and that the Breadsmith names and marks used (for example, on signs and display racks) are devoted exclusively to the sale of Breadsmith products, which represent only one section of that business.

7. Franchisee shall include such terms in its agreements with its bulk and wholesale accounts as may from time to time be prescribed by Franchisor, including but not limited to prohibitions on such accounts (i) reselling any baked goods on a wholesale basis, (ii) delivering such baked goods to any location outside the Designated Territory; and (iii) delivering such baked goods to any other location to be resold, or to be used for commercial purposes.

8. Franchisor shall have no liability to Franchisee for any damages or lost profits as a result of Franchisee's loss of the right to service any bulk or wholesale account, including but not limited to a National or Regional Account described in Paragraph VIII of this Agreement or an account previously approved by Franchisor for which approval is withdrawn, and Franchisee hereby releases and indemnifies Franchisor in advance from any such liability.

9. Franchisor shall have the right at any time to withdraw its approval of sales to any bulk or wholesale account if Franchisor determines in its sole discretion that Franchisee is not meeting the standards required by Franchisor with respect to the sale of products to such account or is otherwise in breach of this Agreement, and if Franchisee fails to remedy any deficiencies cited by Franchisor within thirty (30) days following notice from Franchisor. If Franchisor withdraws its approval of such account, Franchisee shall immediately remove all products and displays from such account.

S. Charitable Events. An important part of BREADSMITH's mission statement is to serve the local communities in which BREADSMITH stores operate. Thus, Franchisee is required to conduct at least two (2) charitable promotional events per year in the Designated Territory. Each such event must receive the prior written approval of Franchisor. Franchisee agrees to submit details of results of such events on a form provided by Franchisor, including the nature of the event, charity served, use of proceeds, amounts raised and any other newsworthy facts within ten (10) days following the event. Franchisor has the right to publish the submitted details in a newsletter that may be distributed to other BREADSMITH stores and the media.

T. Market Research and Test Programs. Franchisee agrees to participate in any market research and test programs required or approved by Franchisor concerning various aspects of Franchisee's business, including, without limitation, procedures, systems, techniques, furnishings, fixtures, equipment, ingredients, signs, labels, trade dress, logos, packaging, display racks, freshness dating, supplies, coupons, promotions, marketing materials and strategies, merchandising, and new menu items and services. Franchisee agrees, if requested by Franchisor, to participate in Franchisor's customer service surveys and market research programs.

U. System Modifications. Franchisee acknowledges and agrees that Franchisor has the right to modify, add to or rescind any requirement, standard or specification that Franchisor prescribes under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and other changes as Franchisor deems appropriate. This right includes, but is not limited to, the right to introduce new products and services. Franchisee must comply with these modifications, additions or rescissions at your expense, subject to the express limitations listed in this Agreement.

Franchisee must operate Franchisee's stores in strict compliance with all applicable laws and with the standard procedures, policies, rules and regulations established by Franchisor and incorporated herein or in the Confidential Manuals or in any system bulletins or other publications that are distributed to franchisees from time to time. Such standard procedures, policies, rules and regulations established by Franchisor may be revised from time to time as circumstances warrant, and Franchisee must comply with all such procedures as they exists from time to time as though they were specifically listed in this Agreement and when incorporated in a system bulletin or other written notice to franchisees, the same is incorporated herein by reference. These standard procedures, policies, rules, and regulations may include operational matters, advertising or marketing matters, employee matters, membership issues, relationships between Franchisee and other franchisees, accounting issues, and any other issues that Franchisor believes, in Franchisor's business judgment, are required to generally benefit the Breadsmith System and its franchisees.

VIII. NATIONAL AND REGIONAL ACCOUNTS

A. Definition. For purposes of this Agreement, a "National or Regional Account" shall be considered a prospective bulk or wholesale account that has locations both inside and outside the Designated Territory.

B. Franchisor Solicitation. Franchisor may from time to time solicit National and Regional Accounts for distribution of BREADSMITH products. If Franchisor negotiates an agreement to sell fresh breads, foods, or other products to a National or Regional Account that has locations within the Designated Territory, Franchisor will give Franchisee the first right to sell the fresh breads, foods, or other products, as determined by Franchisor, to the outlets of that account in the Designated Territory on the terms negotiated for such account by Franchisor, provided Franchisee is current in all of its payment, financial, and reporting obligations to Franchisor, and is not in material breach of any of its other obligations under this Agreement or under any other agreement with Franchisor. If Franchisee has not met these requirements, or if Franchisee does not choose to service the account, or does not begin servicing the account within fifteen (15) days of notification from Franchisor, then Franchisor shall have the right to itself service the outlets of that account in the Designated Territory, or appoint any other person to do so, without compensation to Franchisee. Franchisor may also from time-to-time offer Franchisee the opportunity to service National or Regional Accounts outside the Designated Territory if Franchisor believes Franchisee is in a better position to service those accounts than any other BREADSMITH store. If Franchisor permits Franchisee to service such accounts, it is subject to Franchisee's agreement that in addition to all of the other standards and requirements imposed upon Franchisee with respect to the servicing of bulk and wholesale accounts, Franchisor may, upon thirty (30) days' notice to Franchisee, reassign those accounts at any time Franchisor believes another BREADSMITH store (including a corporate or affiliate-operated Breadsmith store) is either closer in proximity to or is better able to serve those accounts, whether such other store was in existence at the time Franchisee was permitted to service such account, or is established at a later date. If Franchisee begins servicing a National or Regional Account, whether within the Designated Territory or outside the Designated Territory, but fails to comply with any provision of this Agreement with respect to the servicing of bulk or wholesale accounts, or fails to comply with any other rule, regulation or standard adopted by Franchisor (including standards that may be unique to the particular account), and does not cure such failure within fifteen (15) days after notification from Franchisor, then Franchisor may immediately terminate Franchisee's right to service the account and Franchisor may itself service the account, or appoint any other person to do so. In addition, if the account itself complains to Franchisor concerning Franchisee's servicing of the account, or customers of the account complain about the quality of BREADSMITH products sold at the account, Franchisor shall have the right to immediately terminate Franchisee's right to service the account and to thereafter service the account itself or appoint another person to do so, without compensation to Franchisee. In the event of complaints by the account concerning Franchisee's servicing of the account, or by customers concerning the quality of BREADSMITH products sold at the account, Franchisor shall attempt to notify Franchisee of such complaints, but shall not be required to delay in exercising the right to have Franchisee discontinue servicing the account if Franchisor, in its sole discretion, determines that such delay could jeopardize Franchisor's ability or the ability of other of its franchisees to

service other locations of such account, or the goodwill associated with Franchisor's products. If Franchisee is notified that it is to discontinue servicing an account for any reason:

1. Franchisor or its designee shall have the option, but not the obligation, to purchase any displays, fixtures, or signage that are on location at the account at a price equal to the depreciated cost thereof, based upon a straight line, sixty (60) month amortization period. If Franchisor exercises this right, then Franchisee shall coordinate with Franchisor to remove its products, display racks and signage, if any, in a way that allows another party to begin servicing the account without interruption of service to the account. If Franchisee fails to remove its products and display racks and signage, if any, from the account, or to otherwise cooperate with Franchisor in this transition, Franchisor is hereby authorized to remove such products, equipment, and signage and to deliver them to Franchisee's store, and Franchisee shall reimburse Franchisor for its costs of doing so; and

2. Franchisee shall take no action against the National or Regional Account that will or might jeopardize the relationship between Franchisor or its other franchisees, and such account.

The provisions of this paragraph shall not apply to the sale of prepackaged breads. The rights of Franchisor with respect to the sale of prepackaged breads are governed by provisions of Paragraph I.B. of this Agreement. Franchisee acknowledges that it does not have any right to sell prepackaged breads under the BREADSMITH name, or under any other name, either inside or outside the Designated Territory without prior written authority from Franchisor.

C. Solicitation by Franchisee. Before Franchisee solicits any National or Regional Account, it shall notify Franchisor and obtain Franchisor's written consent, which consent may be withheld for any reason. In all solicitation efforts, Franchisee is solely responsible for ensuring strict compliance to applicable local, state, and federal law. If Franchisee obtains the account, it may only service locations of the account within the Designated Territory unless otherwise approved by Franchisor in writing. Franchisee acknowledges, however, that if Franchisor approves Franchisee's solicitation or service of locations of the account outside the Designated Territory, such approval may be withdrawn for any reason upon thirty (30) days' notice to Franchisee, and further that it is likely to be withdrawn if another BREADSMITH store is established that is closer in proximity to such account, or if Franchisor believes another BREADSMITH store is better able to service that account. Moreover, Franchisee shall provide information to Franchisor as to the terms under which Franchisee is servicing the account, and, if known to Franchisee, the availability of other locations of such account outside the Designated Territory, to enable Franchisor to either service such additional locations or assign another person to service those locations.

IX. SUPPLIERS OF FOOD PRODUCTS. INGREDIENTS AND SUPPLIES

A. Food Products and Supplies. All food products, ingredients and supplies used in Franchisee's business must meet the exact specifications of Franchisor, which specifications may be modified from time to time. Franchisee shall be required to purchase such items from manufacturers and/or suppliers approved by Franchisor. Franchisee may not alter any product, substitute unbranded for branded products, or utilize substitute ingredients for any item.

Franchisor shall not be liable to Franchisee for the failure of any recommended supplier to timely deliver any item to Franchisee, including items referred to in other paragraphs of this Agreement, unless such failure is caused by affirmative actions of Franchisor or is within Franchisor's sole control. Franchisor or its affiliates may be approved suppliers or the sole approved supplier of any item and may sell such items at a profit.

B. Franchisee's Recommended Suppliers. If Franchisee desires to utilize a manufacturer or supplier other than one recommended by Franchisor for any food products, ingredients, or supplies, Franchisee must first obtain the written consent of Franchisor. In requesting such consent, Franchisee shall pay to Franchisor a fee in an amount set from time to time by Franchisor and provide to Franchisor the name of the proposed supplier, and any information Franchisor may request from such supplier, including but not limited to samples of products proposed to be supplied, and information about the supplier's financial condition and ability to provide such items. If Franchisee provides all items and information requested by Franchisor, Franchisor will use reasonable efforts to test and evaluate such sources and shall approve or disapprove such sources based on Franchisor's tests and evaluations and upon the following conditions:

1. Franchisee shall submit a written request to Franchisor for approval of the supplier.

2. The supplier shall demonstrate to Franchisor's reasonable satisfaction that it is able to supply a commodity or product to Franchisee meeting Franchisor's specifications for such commodity.

3. The supplier shall demonstrate to Franchisor's reasonable satisfaction that the supplier is of good standing in the business community with respect to its financial capabilities and the reputation and reliability of its product or service.

Nothing contained herein shall be deemed to require Franchisor to approve an inordinate number of suppliers of a given item, which, in the reasonable judgment of Franchisor, would result in higher costs to Franchisor's franchisees or prevent effective and economical supervision of suppliers by Franchisor. Franchisor shall not be responsible for any action or inaction of any supplier recommended by any franchisee. The fee for the investigation shall be due and payable upon receipt of the invoice for the investigation and, in any event, prior to Franchisor's commencement of its investigation.

C. Effect of Approval. Franchisor's approval of any supplier shall not be considered an endorsement or warranty of that supplier or its products, nor a representation that the supplier will always be able to meet the needs of Franchisee.

D. Trade Accounts. Franchisee agrees to maintain its trade accounts in a current status and to seek to resolve any disputes with trade suppliers promptly. Should Franchisee not so maintain its trade accounts, Franchisor may, but shall not be required to, pay any and all such accounts on behalf of Franchisee, in which event Franchisee agrees to immediately repay Franchisor therefore. Franchisee shall provide Franchisor with the names, addresses, and telephone numbers of all such trade suppliers promptly upon Franchisor's request.

X. INSURANCE AND HOLD HARMLESS

Throughout the term of this Agreement, Franchisee shall maintain in effect at all times a policy or policies of insurance with an "A" (or better) rated insurance carrier, naming Franchisor as an additional insured on the face of each policy at Franchisee's sole cost and expense as follows:

A. Bodily Injury and Property Damage.

Public liability in no less than Two Million Dollars ($2,000,000) combined single limits for bodily injury and property damage, which amounts may be increased upon receipt of written notice from Franchisor.

B. Workers' Compensation. Workers' Compensation insurance as required by state law.

C. Auto Insurance. Comprehensive and collision auto liability insurance on vehicles being used by the franchised business, with deductibles not to exceed One Thousand Dollars ($1,000), and in no instance less than One Million Dollars ($1,000,000) combined single limits for bodily injury and property damage, which amounts may be changed on written notice of Franchisor.

D. Business Interruption Insurance. Business interruption insurance in a sufficient amount to cover profit margins, maintenance of competent and desirable personnel, and fixed expenses, including a reasonable operator's fee, for one hundred eighty (180) days.

E. Risk Replacement Coverages. All risk replacement cost coverages.

Franchisee shall promptly notify Franchisor of all claims against Franchisee and/or Franchisor, and all claims made under said policies of insurance, and shall deliver to Franchisor certificates evidencing that such insurance is in full force and effect within thirty (30) days after signing this Agreement and each year thereafter. Such insurance certificate shall contain a statement that the certificate shall not be modified or canceled without thirty (30) days' prior written notice to Franchisee and Franchisor.

XI. ADVERTISING CONTENT

Franchisor may develop, at its sole discretion, advertising, marketing, and promotional campaign content and/or materials ("Ad Content") which Franchisor may make available to Franchisee and/or may require Franchisee to use in promoting Franchisee's business consistent with policies and rules established by Franchisor. Franchisor may charge Franchisee for Ad Content and Franchisee agrees to pay for Ad Content consistent with Franchisor's then-current policies. Franchisor shall be under no obligation to purchase or place any advertising for BREADSMITH stores; it is Franchisee's obligation to advertise and promote its store.

Franchisor may permit Franchisee to create and/or print its own Ad Content. If Franchisor permits Franchisee to do so, Franchisee must first obtain written approval from Franchisor, which Franchisor may grant or deny in Franchisor's sole discretion, prior to publication or use. Franchisor may charge a fee for reviewing proposed Ad Content. Franchisee shall, at its sole

expense, discontinue using any Ad Content immediately upon notice from Franchisor. Franchisor may determine, in its sole discretion, to modify its advertising materials, advertising methods, or image, from time to time and Franchisee agrees to promptly make any changes requested by Franchisor. Any sign, material, or notice of any type displayed in the store shall be displayed and produced in a professional manner in keeping with Franchisor's top-quality image. In the event of a breach of this Paragraph, Franchisor shall have the right to unilaterally terminate or remove any unauthorized material at the expense of Franchisee.

XII. FRANCHISEE LOCAL ADVERTISING

A. Local Store Promotion. Franchisor may, in its sole discretion, require Franchisee to spend up to two percent (2%) of its Gross Receipts on local promotion to enhance the reputation of its business within the Designated Territory. All local promotion shall be in effect within thirty (30) days after the store opening. On January 15th of each year during the term of this Agreement and at such other time or times as Franchisor may require, Franchisee shall provide Franchisor with copies of all statements, invoices, and checks issued during the preceding year by Franchisee evidencing the expenditure of sums for local public relations, advertising, and promotion purposes.

All media use, advertising, publicity, signs, decorations, equipment, or other materials employing, in any way, the word "BREADSMITH" or any derivative thereof, or any of Franchisor's logos, service marks, or trade names, shall be submitted to Franchisor for written approval prior to publication or use. "Media use," as used herein, includes, but is not limited to, printed publications, video, radio, internet, social media, and personalized products such as t-shirts.

Franchisor may provide specific guidelines for advertising and promotion initiated by individual franchisees or groups of franchisees on a cooperative basis and reserves the right to disapprove any advertising or promotion activity which, in Franchisor's sole opinion, is not in the best interest of the franchise system.

B. Marketing. Franchisee is required to participate in all marketing programs designated by Franchisor from time to time, including without limitation all loyalty, gift card, ordering, online ordering, email and/or social media campaign, and related marketing programs, in accordance with all terms and conditions of such programs. Franchisee agrees to pay all fees and costs for such programs as and when due, and agrees to execute any agreements necessary to participate in such programs. Franchisor may amend, modify, or terminate any marketing program at any time in its sole and absolute discretion.

C. Cooperative Advertising. Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor in any and all sales, public relations, advertising, cooperative purchasing programs, or promotional programs calling for the cooperation of multiple franchisees and shall further cooperate in such other programs as may be designated by Franchisor. Franchisee shall not, however, be required to spend more than two percent (2%) of its annual Gross Receipts on all local advertising, including such cooperative advertising programs. Franchisee shall display Franchisor's flyers aimed at recruiting new franchisees on a sales counter or bulletin board in the customer sales area of Franchisee's store.

XIII. INDEMNIFICATION

Franchisee agrees to defend at its own cost and to indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees, and agents, from and against any and all loss, costs, expenses (including attorneys' fees, expert fees, and court costs), damages, and liabilities arising out of Franchisee's or Franchisee's employees' or agents' alleged negligence, breach of contract, or other civil or criminal wrong, resulting directly or indirectly from or pertaining to the use, condition, construction, equipping, decorating, maintenance, or operation of the store, including the preparation and sale of any product made in or sold from the store or in any wholesale account, and including any matter in which Franchisor is deemed liable to any person, entity, or government entity as a joint employer. Such loss, claims, costs, expenses, damages, and liabilities shall include, without limitation, those arising from latent or other defects in the store, whether or not discoverable by Franchisor, and those arising from the alleged death or injury of any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm, or corporation. Franchisee further agrees to indemnify and reimburse Franchisor for all costs, expenses (including attorneys' fees, expert fees, and court costs), damages, and liabilities arising out of misuse, misappropriation, or improper dissemination of Confidential Information by any current or former owner, manager, employee, agent, or affiliate of Franchisee, or any other entity or person who received confidential information from any of the above persons or entities.

XIV. ROYALTY FEES, TAXES, AND ADVANCES BY FRANCHISOR

In addition to all other payments provided for in this Agreement, Franchisee shall pay Franchisor promptly when due the following:

A. Royalty Fee. A non-refundable royalty fee equal to seven percent (7%) of Franchisee's Gross Receipts from all retail sales of items baked, sold, served, or produced on the store's premises (including retail deliveries of such items and retail shipments), products sold at outside venues (such as Farmer's markets), revenue from non-baked items such as tuition or fees for classes, items baked or produced at another location, excluding prepackaged non-bakery items, and breakage from unused gift cards and similar discharged liabilities for which remuneration was previously received (if applicable and permitted by Franchisor to be kept by Franchisee). This royalty shall decrease to six percent (6%) with respect to Gross Receipts received on and after the first anniversary of the opening of the store, and to five percent (5%) with respect to Gross Receipts received on and after the second anniversary of the opening of the store. In addition, Franchisee shall pay to Franchisor a non-refundable royalty fee equal to five percent (5%) of its Gross Receipts received from the sale of all items not described above, including, but not limited to, prepackaged non-bakery items, and wholesale and bulk sales. "Gross Receipts" shall mean all revenues and remuneration collected by Franchisee, excluding bad checks, rebates, promotional sales coupons, refunds to customers, or the amount of any sales tax or other similar taxes that Franchisee might be required to and does collect from customers to be paid to any federal, state, or local taxing authority. Any other subtractions from Gross Receipts, including but not limited to rebates, promotional sales coupons, and discounts must be pre-approved by Franchisor.

Royalties shall be due on all sales recorded by Franchisee, whether or not collected, and regardless where delivery or performance is made.

If any governmental authority imposes any tax or other fee with respect to royalties or other items owed to Franchisor under this Agreement, Franchisee shall pay to Franchisor the amount of such tax or fee as an additional royalty due under this Agreement.

All royalties due under this Agreement shall be paid to Franchisor by the tenth (10th) day of each month with respect to sales in the preceding calendar month. All such payments shall be made by electronic funds transfer as set forth in Paragraph XV.B. of this Agreement.

B. Taxes. The amount of all sales taxes, use taxes, and similar taxes imposed upon or required to be collected or paid on account of goods or services furnished to Franchisee by Franchisor, whether such goods or services are furnished by sale, lease, or otherwise.

C. Advances by Franchisor. All amounts, if any, advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated on behalf of Franchisee.

XV. REPORTING, PAYMENTS, AND FALSE STATEMENTS

A. Reporting Obligations of Franchisee. During the term of this Agreement, Franchisee shall deliver to Franchisor:

1. By the tenth (10th) day of each month, a monthly statement of Gross Receipts and other information required by Franchisor for the preceding month;

2. On or before the twenty-fifth (25th) day of each month, a monthly balance sheet and profit and loss statement for the previous month reflecting the financial condition of the store as of the last day of the previous month; and

3. Within ninety (90) days following the close of Franchisee's fiscal year, an annual balance sheet and statement of profit and loss, which statement shall show the financial condition of the business at the end of the fiscal year.

All financial information and reports shall be delivered in the manner and in the form specified by Franchisor. All balance sheets and profit and loss statements shall also be prepared in accordance with generally accepted accounting principles and shall be accompanied by a written certification of Franchisee that the same are true and correct. Any intentionally false statements in these or any other reports provided to Franchisor shall be grounds for Franchisor to terminate this Agreement.

B. Electronic Funds Transfer. Unless otherwise instructed in writing by Franchisor, Franchisee shall make all payments due to Franchisor (whether under this Agreement or otherwise) by electronic funds transfer ("EFT"). Franchisee shall comply with procedures specified by Franchisor in this Paragraph and the Confidential Manuals, and perform such acts and deliver and execute such documents as may be necessary to assist in or accomplish payment by the method described in this Paragraph. Specifically, but without limiting the above,

Franchisee shall give Franchisor authorization, in the form prescribed by Franchisor, for direct debits from Franchisee's business bank operating account. Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of royalty and any other amounts payable under this Agreement and any late payment charges due thereon.

1. Royalties. On or before the tenth (10th) day of each month, Franchisee shall report to Franchisor by e-mail the true and correct Gross Receipts of the Franchisee for the immediately preceding month. Franchisee shall ensure that all funds due are available to Franchisor for withdrawal by electronic transfer no later than 10:00 a.m. central time on the tenth (10th) day of each month, or if the tenth (10th) day is not a banking business day, then by 10:00 a.m. central time on the next banking business day. The amount actually transferred from Franchisee's accounts shall be based upon the monthly Gross Receipts indicated by the POS System or on Franchisee's reports to Franchisor as required hereunder. If Franchisee has not reported the monthly Gross Receipts to Franchisor for any reporting period as required above, then Franchisor shall be authorized to debit Franchisee's account in an amount equal to one hundred twenty percent (120%) of the fees transferred from Franchisee's account for the last reporting period for which a report of monthly Gross Receipts was provided to Franchisor. Franchisor may also debit Franchisee's account in the nonrefundable amount of $100 for administrative costs. Franchisee is not relieved of its obligation to report monthly Gross Receipts. If the amount collected by Franchisor on the basis described above (120%) is less than the actual royalties owed, Franchisee shall pay one hundred twenty percent (120%) of the actual royalties owed. If the amount collected by Franchisor exceeds the amount of actual royalties that would have been owing if Franchisee's monthly Gross Receipts had been timely reported, Franchisee agrees that any such difference shall be forfeited to Franchisor. At Franchisor's option, Franchisee agrees that Franchisor may base the amount of such debit on information retrieved from Franchisee's computer system, if any.

2. Other Fees and Amounts Owing. Franchisor shall debit by EFT all amounts owing by Franchisee (except current royalty fees) immediately when such amounts become due and owing, or as soon thereafter as is convenient for Franchisor. Franchisor may make such debits without prior notice to Franchisee.

3. Insufficient Funds and EFT Failures/Delays. If a direct debit does not process at the time it is initiated by Franchisor due to something within Franchisee's control (such as insufficient funds or alteration of the account or its settings), Franchisor may also debit Franchisee's account in the nonrefundable amount of $100 for administrative costs.

4. Under-reporting. If, at any time, Franchisor determines that Franchisee has under-reported its Gross Receipts, or underpaid royalties or other amounts due hereunder, Franchisor shall be authorized to initiate immediately a debit to Franchisee's account in the appropriate amount in accordance with the foregoing procedure, plus late payment charges as provided for in this Agreement. Any overpayment (except in the instance of late reporting or failure to report gross revenues by Franchisee, in which event the

overpayment is forfeited) shall be credited to Franchisee's account through a credit effective as of the first reporting date after Franchisee and Franchisor determine that such credit is due. If the amount debited is less than the actual amount owed, Franchisee shall pay the remaining amount owing, plus a late payment charge thereon as set forth in Paragraph XXVI.G. of this Agreement. If Franchisor is unable for any reason to debit the full amount permitted under this Agreement, Franchisee shall remit the remaining amount owing within five (5) business days from notice by Franchisor, plus a late payment charge thereon as set forth in Paragraph XXVI.G. of this Agreement.

5. Rights of Set-off. No amounts owing by Franchisee to Franchisor are subject to setoff, escrow, or payment by any other means than as set forth in this Agreement. Notwithstanding, Franchisor may set off any amounts owing or alleged to be owing from Franchisor to Franchisee against any amounts owing or alleged to be owing by Franchisee to Franchisor.

XVI. RECORDKEEPING AND ACCOUNTING

A. Use of Uniform System of Accounting. Franchisor may provide to Franchisee various recordkeeping forms, including standardized forms, deemed appropriate by Franchisor for use by Franchisee. Franchisee shall utilize these forms, and any other accounting, recordkeeping, POS Systems, or computer systems developed or recommended by Franchisor, which forms and systems may be amended or supplemented from time to time by Franchisor. Franchisee shall be solely responsible for performing all recordkeeping duties, and the cost for all such services shall be borne solely by Franchisee.

B. Records and Audits. Franchisee shall maintain and preserve accurate books, records (including meeting minute books and resolutions), and tax returns, including related supporting material, such as cash register tapes, for its store for at least five (5) years. Such books, records, tax returns, and supporting material shall be available for inspection, examination, or audit by Franchisor or its designees at Franchisor's request, and in the time and manner requested. Franchisor's examination or audit (but not Franchisee's keeping and making the information available) shall be at Franchisor's expense unless it is disclosed that any statement of Franchisee's Gross Receipts submitted by Franchisee is in error by two percent (2%) or more in Franchisee's favor, in which case such expense shall be borne by Franchisee. Franchisee shall also immediately pay Franchisor any deficiency in royalty fee payments as disclosed by such audit or examination, together with late payment charges at the maximum rate specified by law, or in the absence of a maximum rate specified by law, one and one-half percent (1 1/2%) per month after the amount is more than ten (10) days overdue.

C. Tax Returns. Franchisee shall submit to Franchisor copies of Franchisee's annual federal, state, and city, if any, income tax and sales returns within ten (10) days after filing.

D. Computer System. Franchisee will at all times maintain at the premises of the store a working computer with high-speed dedicated IP Internet access ("Computer System"). Franchisor may from time to time specify software to be included on the computer, including a POS System, and may require Franchisee to upgrade its computer and software to minimum

requirements specified from time to time by Franchisor, provided that Franchisor may not require Franchisee to purchase new computer physical equipment with costs exceeding Five Hundred Dollars ($500) more than once in any period of twenty-four (24) consecutive months. Franchisor may develop, or contract for the development of, "Licensed Programs." Licensed Programs are defined as computer software programs which may include, without limitation, Franchisor's required point-of-sale bookkeeping (utilizing Franchisor's required general ledger entries and standard chart of accounts), inventory, training, marketing, ordering, loyalty and gift card programs, wholesale tracking and delivery, employee selection, operations and financial information collection and retrieval systems for use in connection with the operation of a BREADSMITH store, including any updates, supplements, modifications or enhancements thereto, all related documentation, the tangible media upon which such program is recorded, and the database file structure thereof, but excluding any data or database owned or compiled by Franchisor, or its affiliates, for use with the Licensed Programs or otherwise or any data generated by the use of the Licensed Programs.

Franchisee agrees, when available, to use in the operation of the store only the Licensed Program and those brands, types, makes and/or models of computer hardware which Franchisor may specify or require. Such requirements may require expenditure of monies by Franchisee, and the purchase or license of items from Franchisor at designated prices.

Franchisee shall install and use the Computer System at the store and by bulk and wholesale delivery personnel, when use of the Computer System is available, and transmit information to Franchisor through the Computer System. Franchisee, at its own expense, shall establish and maintain at the store, (i) a high speed internet connection with a static IP address that the Franchisor may use to access the Computer System, (ii) full and complete corporate records and reports, and (iii) if required by Franchisor, databases in the form specified by Franchisor pertaining to the operation of the store, supervisory reports relating to store operations, and accounting, record keeping and records retention system conforming to the requirements prescribed by Franchisor from time to time (including, without limitation, requirements for a general ledger system which includes the standard chart of accounts prescribed by Franchisor and for timely entry of information into databases of the Computer System and periodic printouts of reports generated from the Computer System), information relating to employee turnover and such other reports and information as Franchisor may prescribe. Each transaction of Franchisee's business shall be processed on the Computer System in the manner prescribed by Franchisor. Franchisor shall have at all times, the right to retrieve information from and data processed on the Computer System, and Franchisee shall take such action as may be necessary to provide such access to Franchisor

E. Security Cameras. Franchisee will at all times maintain at the premises of the store a working security camera system including a recording device. Franchisee shall provide Franchisor connection information and any software required to remotely access the system. The camera system shall always be available to Franchisor.

F. Pre-Authorized Access to Franchisee's Computer System. Franchisee hereby authorizes Franchisor to access its Computer System and Point of Sale System to gather Franchisee's records and reporting information regarding Franchisee's sales. Franchisee agrees

to execute any documents and install software specified by Franchisor to allow local and remote access to Franchisee's Computer System by Franchisor, at the Franchisee's sole expense.

XVII. TRANSFER OF FRANCHISE

A. General Rules. This Agreement (or any part thereof), the business operated under this Agreement, and any interest in Franchisee (if Franchisee is a corporation, partnership, limited liability company, or other entity), may not be transferred, assigned, pledged, encumbered, or sold, either voluntarily or by operation of law, directly, indirectly, or contingently, without the prior written consent of Franchisor, and then only in accordance with the provisions of this Paragraph XVII. Any attempted assignment or transfer not in accordance with this Agreement will have no effect and will constitute a material and incurable breach of this Agreement, which will entitle Franchisor to immediately terminate this Agreement. Franchisee must not transfer or sell substantially all the assets of its Franchise Business, either directly, indirectly, or contingently, except with the prior written consent of Franchisor. Franchisee acknowledges that Franchisor may reasonably withhold its consent to a sale of substantially all of the assets of the store during the term of this Agreement unless those assets are being sold to a transferee approved by Franchisor in accordance with this Section XVII, who will operate a store at the Franchise Location.

Franchisee acknowledges that Franchisor's marketing plan is such that it is not feasible to separate the operation of the store from the servicing of bulk and wholesale accounts. Therefore, no partial assignment of this Agreement or of Franchisee's rights or obligations hereunder shall be allowed. Franchisee acknowledges that this restriction is a reasonable one, even though it prevents Franchisee from transferring control of less than all of the business operated hereunder.

Franchisee acknowledges and agrees that the following types of assignment or transfer are not permitted under this Agreement: (1) an assignment or transfer of any interest in this Agreement or any interest in Franchisee before Franchisee has opened and is operating the store; and (2) a sublicense of any of the rights granted by this Agreement.

B. Right of First Refusal. Prior to the sale of the franchised business, or assignment by Franchisee of this Agreement in a transaction requiring Franchisor's consent, Franchisor shall have the option, exercisable within thirty (30) days after receipt of notice by Franchisor from Franchisee of the proposed sale or assignment, to purchase, or have its nominee purchase the business and this Agreement for the price and on the terms and conditions of the proposed sale. Franchisor shall have the right to substitute equivalent cash for any noncash consideration included in the sale. Such notice shall specify the name and address of the proposed transferee, shall enclose a completed franchise application from the proposed transferee, and shall set forth the price, terms, conditions, date, and place of closing of the proposed sale. Should Franchisor not exercise this right and should the contemplated sale not be completed, or should the terms and conditions thereof be altered in anyway, this right of first refusal shall be reinstated and any subsequent proposed sale, or the altered terms and conditions of the current transaction, must again be offered to Franchisor in accordance with this Paragraph. Should Franchisor elect to exercise its right of first refusal, Franchisee shall take all action necessary to cause its Lease Agreement with the landlord of the Franchise Location to be assigned to Franchisor.

C. Conditions of Franchisor's Consent to Transfer. If Franchisee or any person owning an interest in Franchisee desires to transfer any rights in this Agreement or in Franchisee, or the assets of the store, Franchisee or another appropriate person must give written notice of the proposed transfer to Franchisor, setting forth in detail the nature of the rights or assets to be transferred, the name, address, and background of the proposed transferee, the consideration for the transfer, and any other information that Franchisor may reasonably require. This notice must also include a copy of any agreements relating to the proposed transfer. After reviewing the information, Franchisor will determine, in accordance with the provisions of this Agreement and any procedures specified in the Confidential Manuals, whether to grant its consent to the transfer. Franchisor will not unreasonably withhold its consent to a transfer of the type permitted by this Agreement.

Before Franchisor consents to a transfer of the type permitted by this Agreement, all of the following conditions must be fulfilled:

1. The proposed transferee must follow the same application procedures as a new Franchisee and must meet the same standards of character, business experience, net worth, credit standing, health, etc., as Franchisor has set for any new franchisee.

2. The proposed transfer must be for a price and on terms and conditions that Franchisor determines to be reasonable, and the proposed transferee must demonstrate the ability to fund the proposed transfer and the operation of the store under the financial terms of the proposed transfer.

3. Franchisee must be in full compliance with all provisions of this Agreement and all other agreements with Franchisor, and must pay Franchisor all monies owing, including royalties, and must execute at the time of sale an agreement terminating or assigning this Agreement (at Franchisor's option), and a release of Franchisor and its affiliates and their owners, directors, members, employees, and agents from all claims, attached hereto as Exhibit 3.

4. The proposed transferee must satisfactorily complete Franchisor's initial training program. Franchisor may impose a reasonable charge for this training program, and Franchisee or the transferee will be responsible for all costs of transportation, lodging, and meals associated with the training.

5. The proposed transferee must, at Franchisor's option: (i) sign with Franchisor a Franchise Agreement and all ancillary agreements on the standard form in use by Franchisor at the time of transfer, which agreement will have a term equal to the full term provided in the standard form of Franchise Agreement, and which agreement may have terms that differ materially from this Agreement, or (ii) sign, with Franchisee, an assignment and assumption satisfactory to Franchisor, whereby the proposed transferee would be entitled to all of Franchisee's rights under this Agreement and assume all of Franchisee's obligations under this Agreement and all ancillary agreements. The owners of the transferee must personally guaranty the transferee's obligations to Franchisor by signing Franchisor's standard personal guaranty form.

6. Unless otherwise agreed by Franchisor: (a) if a new Franchise Agreement is signed by the transferee, Franchisor may require Franchisee and/or its personal guarantors to guaranty the obligations of transferee to Franchisor; and (b) if this Agreement is assigned to the transferee, Franchisee and its guarantors will continue to be responsible to Franchisor under this Agreement and any guaranties signed in connection with this Agreement.

7. The proposed transferor must pay Franchisor a non-refundable transfer fee of Seven Thousand Five Hundred Dollars ($7,500) on the following schedule: Two Thousand Five Hundred Dollars ($2,500) paid prior to execution of a consent by Franchisor to the proposed transfer and before training of the new franchisee begins; the remaining balance paid before the transfer occurs.

8. The proposed transferee must agree that, within 90 days of the transfer, it will take any action specified by Franchisor to refurbish, update, upgrade, construct and/or improve the Franchise Location and the equipment, fixtures and signs at the Franchise Location in compliance with Franchisor's then applicable specifications and standards, including but not limited to specifications for build-out, decor, signage, equipment, layout, space, awnings, umbrellas, etc. Franchisee acknowledges that Franchisor may decide not to uniformly impose these obligations on transfer of its franchises based on numerous factors, and that the proposed transferee may be required to take steps that have not been required of other franchises.

9. Franchisee and the proposed transferee must comply with any other standard procedures specified by Franchisor.

Franchisee acknowledges that the conditions listed above are necessary for protection of the Franchise Marks and System and do not impose unreasonable restrictions on the transfer of this Agreement.

D. Franchisee's Death or Disability. Upon the death or permanent disability of Franchisee or, if Franchisee is a corporation, limited liability company, or partnership, the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall, within six (6) months of such event:

1. Apply to Franchisor for the right to continue to operate the franchised business (for the duration of the term of this Agreement), which right shall be granted upon the fulfillment of all of the conditions set forth in Paragraphs XVII. A.-E. of this Agreement (except that no transfer fee shall be required); or

2. Transfer its interest in this Agreement and its interest in the franchised business to a third party approved by Franchisor. Such disposition of this Agreement and such interest in the franchised business (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to transfers contained in Paragraphs XVII A.-E. Failure to transfer the rights and obligations of Franchisee in this Agreement and Franchisee's interest in the

franchised business within said period of time shall constitute a breach of this Agreement. For purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually prevents Franchisee or an owner of a controlling interest in Franchisee from supervising the management and operation of the franchised business for a period of six (6) months from the onset of such disability, impairment or condition.

In the event of the death or incapacity of Franchisee, or any partner, member, or shareholder of Franchisee, if Franchisee is a partnership, limited liability company or corporation, where the aforesaid provisions have not been fulfilled within the time provided, all rights licensed to Franchisee under this Agreement shall, at the option of Franchisor, terminate forthwith and automatically revert to Franchisor.

If, after the death or permanent disability of Franchisee, or a controlling member or owner of Franchisee, the franchised business operated under this Agreement is not being managed by a competent and trained manager, Franchisor is authorized, but not obligated, to appoint a manager to maintain the franchised business operation until an approved assignee shall be able to assume its management and operation, but in no event for a period exceeding six (6) months, without the approval of the personal representative of Franchisee or such owner or member. All funds from the franchised business operation during the period of management by Franchisor's appointed manager shall be kept in a separate fund and all expenses of the franchised business, including compensation, other costs and travel and living expenses of Franchisor's appointed manager, shall be charged to such fund. As compensation for the management services provided, in addition to the fees due hereunder and the compensation, other costs and travel and living expenses which Franchisor's appointed manager incurs, Franchisor shall charge such fund five percent (5%) of the weekly Gross Receipts during the period of Franchisor's management. Operation of the franchised business during any such period shall be for and on behalf of Franchisee, provided that Franchisor shall have a duty only to utilize its good faith efforts and shall not be liable to Franchisee or its members or owners for any debts, losses or obligations incurred by the franchised business or to any creditor of Franchisee for any merchandise, materials, supplies or services purchased by the franchised business during any period in which it is managed by Franchisor's appointed manager.

E. Financial Statements of Franchisee. In connection with any transfer of the Franchise, Franchisor shall have the right, but not the obligation, to furnish any proposed assignee with a copy of all financial statements and any other information which has been furnished by Franchisee to Franchisor in accordance with this Agreement during the three (3) year period prior to the date approval of the proposed assignment, transfer, or sale is sought. Franchisor shall also have the right, but not the obligation, to advise any proposed assignee of any uncured breaches or default by Franchisee under this Agreement or any agreement relating to the franchised business.

F. Assignment to Controlled Entity. Franchisee may transfer its interest in this Agreement to an entity owned and controlled by Franchisee, provided (i) Franchisee is not in breach of any provision of this Agreement, (ii) Franchisee and the new entity execute a transfer agreement in a form prescribed by Franchisor at or prior to the date of assignment, and (iii) Franchisee simultaneously enters into a personal guaranty of all obligations of the transferee and

otherwise agrees to remain bound by the obligations contained in this Agreement. No transfer fee shall be required in connection with such assignment.

G. Minor Changes of Ownership. A change in ownership of less than five percent (5%) of Franchisee is exempt from the transfer requirements of this Section if written notice of the proposed change in ownership of Franchisee is delivered to Franchisor and Franchisor indicates in writing that it approves the change in ownership of Franchisee before the occurrence of the change in ownership. If Franchisor does not approve the change in ownership, the Franchisee is not exempt from the requirements of this Section.

XVIII. PROPRIETARY RIGHTS, CONFIDENTIALITY, AND INNOVATIONS

Nothing contained in this Agreement shall be construed to require Franchisor to divulge to Franchisee any secret processes, formula, or ingredients, except the material contained in Franchisor's Confidential Manuals and training materials that are provided to Franchisee. Franchisor's Confidential Manuals, trade secrets (including, without limitation, all recipes, cookbooks, formulas, trade practices, products, sales techniques, merchandising and display techniques, advertising formats, accounting systems, operations systems, policies, procedures, systems, compilations of information, records, specifications, manuals and other confidential information) and copyrighted materials, methods and other techniques, information, know-how, and customer lists (whether generated or maintained by you or us) (collectively, "Confidential Information") are Franchisor's exclusive and confidential property which Franchisor provides to Franchisee in confidence. Franchisee acknowledges that its knowledge of Confidential Information is derived entirely from information disclosed to it by Franchisor and that such information is proprietary, confidential, and a trade secret of Franchisor. Franchisee agrees to maintain confidentiality of such information and to exercise the highest degree of diligence in safeguarding Franchisor's trade secrets during and after the term of this Agreement, including all Confidential Information. Franchisee shall divulge such material only to Franchisee's employees and only to the extent necessary to permit the effective operation of the Franchisee's BREADSMITH business. It is expressly agreed that the ownership of all the proprietary property and Confidential Information is and shall remain vested solely in Franchisor.

If, during the term of this Agreement, Franchisee develops any new formulas, recipes, know-how, processes, products, techniques, ideas, plans, improvements, or information in connection with the operation of a BREADSMITH store or the servicing of wholesale accounts, or any other similar aspect of the business ("Innovations"), Franchisee shall fully and promptly disclose this to Franchisor and may use the same only as approved by Franchisor. Franchisor and its affiliates own and have the right to authorize use of Innovations without any compensation to Franchisee or its owners or employees. Franchisee will execute all documents as requested by Franchisor to confirm ownership (and transfer to Franchisor, if necessary) of all Innovations.

XIX. NON-COMPETITION

A. Competitive Ownership. During the term of this Agreement and any renewal thereof, Franchisee shall not, without the express written consent of Franchisor, directly or indirectly, engage in or participate as an employee, agent, or owner, alone or with any other person, partnership or entity in any other business which is the same as or similar to the

franchised business, nor shall Franchisee use, directly or indirectly, the system or concept of Franchisor except in the operation of its BREADSMITH franchise. If Franchisee is a joint venture or partnership, the restrictions in this paragraph XIX.A. shall apply to each partner or venturer who, individually or collectively, through himself, his spouse, his children, his grandchildren, or his parents, owns a five percent (5%) or greater interest in such venture or partnership. If Franchisee is a corporation or limited liability company, the restrictions in this paragraph XIX.A. shall apply to each shareholder or member, who individually or collectively, through himself, his spouse, his children, his grandchildren, or his parents, owns a five percent (5%) or greater interest in the outstanding capital stock of such corporation or limited liability company. If any provision of this Paragraph XIX. shall be deemed unenforceable by law, then such restrictions shall be reduced to the minimum extent necessary to be legally enforceable.

Franchisee shall not, without the express prior written consent of Franchisor, directly or indirectly, for a period of two (2) years from the date of the assignment by Franchisee, expiration, or non-renewal of this Agreement, or the termination of this Agreement, regardless of the cause of the termination, engage in or participate as an employee, consultant, agent, or owner (whether directly or indirectly), alone or with any other person or entity with any business (i) selling fresh baked breads, bakery items, or any other products sold by BREADSMITH franchises within a radius of five (5) miles of the location of Franchisee's former BREADSMITH store, any other BREADSMITH store, whether franchised or owned by Franchisor or its affiliates, or location that contains Breadsmith products, or (ii) selling breads, bread products, or any other products sold by BREADSMITH franchises to any bulk or wholesale account serviced by Franchisee within one (1) year preceding the expiration or termination of this Agreement. Franchisee shall never use, directly or indirectly, the systems or concepts of Franchisor in any business whatsoever, wherever located.

The only exceptions to the restrictions contained in this Paragraph XIX shall be for (i) a business operated under and in compliance with a Franchise Agreement with Franchisor; and (ii) a business operated at a location other than Franchisee's BREADSMITH store pursuant to a franchise agreement with another franchise system having twenty (20) or more franchisees in which Franchisee has no direct or indirect ownership interest and that does not sell fresh baked breads, but does sell bakery items other than breads and loaves of bread as part of a larger business, and provided that Franchisee does not use any of Franchisor's recipes, systems or concepts in the operation of such business.

Franchisee agrees that, for a period of twelve (12) months following expiration or termination of this Agreement, Franchisee and its members, shareholders, or partners, as the case may be, shall notify Franchisor of any new employment or business ownership, including the start date of such employment or business ownership, the name and address of the employer or business, and the title and description of services offered by the employer or business.

If Franchisee violates any of these provisions, then, in addition to any other relief to which Franchisor may be entitled, the period of time for which the restriction shall apply shall be extended by a period equal to the period of noncompliance. Franchisee acknowledges that Franchisee (and Franchisee's owners, if Franchisee is an entity) has previously worked in or has been gainfully employed in other fields of endeavor and that these provisions will in no way prevent Franchisee from earning a livelihood. Further, Franchisee acknowledges that violation of

these non-competition covenants will result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Therefore, Franchisee agrees Franchisor shall be entitled to injunctive relief to prohibit any conduct by Franchisee in violation of the non-competition covenants contained herein.

B. Appropriation of Franchisor's System. Franchisee covenants that it shall not appropriate, use, or duplicate the Franchisor's system, or any portion thereof, for use in any other business.

XX. RELATIONSHIP OF THE PARTIES

In all matters pertaining to the operation of Franchisee's BREADSMITH business, Franchisee is and shall be an independent contractor. Franchisee shall conspicuously identify itself at the Franchise Location, and in all of its dealings with bulk and wholesale accounts, as an independent franchisee. No employee of Franchisee shall be deemed to be an employee of Franchisor. Nothing contained herein shall be construed to create a partnership, joint venture, or agency between Franchisee and Franchisor. Neither party hereto shall be liable for the debts or obligations of the other unless expressly assumed in writing.

XXI. DEFAULT BY FRANCHISEE

A. Automatic Termination. This Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

1. Voluntary Bankruptcy. Franchisee makes an assignment for the benefit of creditors or similar disposition of assets of the franchised business, file a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee; or

2. Involuntary Bankruptcy. Proceedings are commenced to have Franchisee adjudicated bankrupt or to seek reorganization of Franchisee under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee without Franchisee's consent, and the appointment is not vacated within 60 days.

B. Termination With Notice and Without Opportunity to Cure. Franchisor has the right, at its option, and in addition to all remedies that Franchisor has available to it under this agreement, at law, or in equity, to terminate this Agreement and all rights granted to Franchisee under this Agreement, without affording Franchisee any opportunity to cure, effective upon Franchisee's receipt of notice, as provided in Section XXV, for any of the following breaches or defaults:

1. Abandonment. Franchisee voluntarily abandons the franchised business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue operation of the store in accordance with the terms of this Agreement and shall apply in

any event if Franchisee fails to operate the store as required under this Agreement for a period of five (5) or more consecutive days without Franchisor's prior written approval.

2. Unauthorized Disclosure. Franchisee intentionally or negligently discloses to any unauthorized person any Confidential Information, including the contents of or any part of our Confidential Manuals.

3. Insolvency. Franchisee or any of its owners becomes insolvent.

4. Liens. A levy, writ of attachment or execution, or any other lien is placed against Franchisee, any of the assets of Franchisee or any of Franchisee's principals or any of their assets, which is not released or bonded against within 30 days.

5. Criminal Misconduct. Franchisee or any of Franchisee's owners or managers is convicted of, or pleads guilty or no contest to, a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in Franchisor's sole opinion, to materially and unfavorably affect the BREADSMITH franchise system, trademarks, goodwill, or reputation, or takes part in any criminal misconduct relevant to the operation of the store.

6. Impairment of Goodwill. Franchisee commits any act which materially impairs the goodwill associated with the Franchisor's trademark, trade name, service name, logotype or other commercial symbol.

7. Misuse of Marks. Franchisee materially violates any provision of this Agreement relating to the Names or Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Names.

8. Repeated Defaults. Franchisee: (i) has received two (2) notices of default from Franchisor within any six-month period, regardless of whether Franchisee cured the defaults, or (ii) has received two notices of default for the same default in a 13-month period.

9. Failure to Operate. Franchisee abandons, or fails or refuses to actively operate, its store for more than five (5) business days in any twelve (12) month period, unless the store has been closed for a purpose approved by Franchisor or due to an act of God.

10. Violation of Non-competition Covenants. Franchisee or any related entity or individual subject to the non-competition covenants described in this Agreement intentionally or negligently violates one or more of the covenants.

11. Understatement of Sales. Franchisee submits to Franchisor on two (2) or more separate occasions at any time during the term of this Agreement, any reports or other data, information or supporting records which understate by more than two percent (2%) the Gross Receipts for any period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error.

12. Fraud. Franchisee or its owners commits any fraud or misrepresentation in the operation of the store.

13. Misrepresentation. Franchisee or its owners make any misrepresentation or omission in connection with Franchisee's franchise application, including, but not limited to, any financial misrepresentation.

14. Unauthorized Products or Services. Franchisee offers or sells any unauthorized or unapproved product or service.

15. Unapproved Purchases. Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier.

C. Termination for Failure to Pay Sums Due to Franchisor or its Affiliates. If Franchisee fails, refuses, or neglects to pay Franchisor or its affiliates any monies owing to Franchisor on the date such amounts are due, Franchisor may, at its option, in addition to all remedies that Franchisor has available to it at law or in equity, immediately terminate this Agreement if Franchisor provides notice to Franchisee of nonpayment and Franchisee does not bring all payments current within ten (10) days after receipt of such notice.

D. Termination Upon Thirty Days' Notice to Cure. If Franchisee is in default in the performance of any of the terms of this Agreement (not otherwise described in this Paragraph XXI), including, but without limitation, the acts set forth hereinafter, Franchisor, in addition to all remedies that Franchisor has available to it at law or in equity, at its option, may immediately terminate this Agreement if Franchisee does not cure all defaults within thirty (30) days after receiving notice of the default(s) from Franchisor:

1. Transfers without Prior Consent. Any purported assignment, transfer, or sublicense of this Agreement, or any right hereunder, without the prior written consent of Franchisor, or if Franchisee sells, leases, subleases or transfers any interest in its store, or in its store lease, or in any bulk or wholesale account without Franchisor's prior written consent.

2. Franchise Location Loss. Franchisee's right to occupy the Franchise Location is lost and Franchisee does not secure another Franchise Location approved by Franchisor within the Designated Territory within ninety (90) days after the closing of Franchisee's store.

3. Failure to Pay Other Obligations. Franchisee fails to make timely payments upon any obligation of Franchisee or default upon or a breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating thereto.

4. Failure to Comply. Franchisee fails to comply with all of the terms of this Agreement or any other agreement between Franchisor and Franchisee.

5. Failure to Open. Subject to fire, flood, earthquake, or other similar causes beyond Franchisee's control, Franchisee fails to open its store within nine (9) months

after execution of this Agreement or any scheduled opening date set by Franchisor after completion of the premises.

6. Failure to Submit Reports. Franchisee fails to submit reports or financial data which Franchisor requires under this Agreement.

7. Attachment. The real or personal property of Franchisee shall be attached or levied upon by any sheriff, marshal, or constable.

8. Failure to Decorate and Equip. Franchisee fails to decorate and equip its store or any wholesale display as provided in this Agreement.

10. Failure to Obtain Insurance. Franchisee fails to obtain or maintain insurance as required by this Agreement.

11. Trade Accounts. Franchisee fails to maintain its trade accounts (other than accounts owed to Franchisor or its affiliates, which the parties agree are subject to the provisions of Paragraph XXI.B. above) in a current status. For purposes of this Paragraph, current status shall be deemed to be within thirty (30) days of the due date.

12. Other Agreements. Franchisee defaults under any agreement between Franchisee and Franchisor, or under the Lease Agreement with the Landlord of the Franchise Location.

13. Failure to Pay Taxes and Other Obligations. Franchisee fails to timely pay any income, payroll, unemployment, property (personal and real), or other tax assessed against Franchisee.

E. Grant of Security Interest and Lien for Failure to Pay Sums Due to Franchisor or Its Affiliates. If Franchisee fails, refuses, or neglects to pay Franchisor or its affiliates any monies owing to Franchisor or its affiliates on the date due, Franchisee grants immediately to Franchisor, at Franchisor's option (which may be exercised at Franchisor's convenience), a security interest and lien in all of Franchisee's assets, including, without limitation, all equipment, vehicles, fixtures, inventory, deposit accounts, accounts receivable, and supplies. Franchisor may, additionally, direct any parties owing any monies to Franchisee to make payment directly to Franchisor. If Franchisor exercises its options hereunder (which Franchisor may exercise at any time that Franchisee is not in full compliance with this Agreement), Franchisee hereby appoints Franchisor as its attorney-in-fact, with full power and authority to endorse Franchisee's name on requests that monies owing to franchisee be sent directly to Franchisor and on a security agreement naming Franchisor as the secured party and granting a continuing lien on and security interest in all right, title, and interest of the Franchisee, whether now existing or hereafter created, in and to all of the equipment, vehicles, fixtures, inventory, deposit accounts, accounts receivable, and supplies of Franchisee, to secure payment and performance of all obligations and indebtedness of Franchisee then existing or that become in the future owing to Franchisor. Franchisee further authorizes Franchisor and its attorneys and agents to file appropriate financing statements, amendments, and other documents as deemed necessary by Franchisor to secure its interest in Franchisee's assets; such financing statements may describe the collateral as "all assets" or "all personal property" that

Franchisee now owns or acquires in the future. Franchisor shall have all rights and remedies of a secured party under applicable laws.

F. Fines for Default and Failure to Comply with Franchisor's Standards. In addition to, and not as a substitute for, all other rights and remedies of Franchisor in this Agreement, including Franchisor's right to terminate this Agreement as provided in this Agreement, if Franchisee is in default under this Agreement or fails to comply with any standard that has been specified by Franchisor in the Confidential Manuals or otherwise, Franchisor may issue a fine for such default or noncompliance up to Five Hundred Dollars ($500) for the first instance of default, up to One Thousand Dollars ($1,000) for the second instance of default during the current term, and up to Two Thousand Dollars ($2,000) every subsequent default thereafter during the current term. If a default or noncompliance is not cured within thirty (30) days of notice from Franchisor, it shall be considered a subsequent default or incident of noncompliance.

G. Right to Withhold Products and Services. During any period that Franchisee is in default under this Agreement, Franchisor shall have the right to withhold or discontinue providing all services to Franchisee, including but not limited to the right to suspend Franchisee's right to purchase products or services from Franchisor or its affiliates.

H. Right to Manage in Default or Upon Death or Disability. If Franchisee defaults under Section VII.H (Franchisee's Efforts), VI.D (Manager Training), XXI.B.1 (Abandonment), XXI.B.3 (Insolvency), XXI.B.4 (Liens), XXI.B.5 (Criminal Misconduct), XXI.B.6 (Impairment of Goodwill), XXI.B.8 (Repeated Defaults), XXI.B.9 (Failure to Operate), XXI.B.12 (Fraud), XXI.C (Failure to Pay Sums Due to Franchisor or its Affiliates) of this Agreement, (Failure to Pay Sums Due to Franchisor or its Affiliates), XXI.D.2 (Franchise Location Loss), XXI.D.3 (Failure to Pay Other Obligations), XXI.D.6 (Failure to Submit Reports), XXI.D.7 (Attachment), XXI.D.11 (Trade Accounts), XXI.D.12 (Other Agreements), or XXI.D.13 (Failure to Pay Taxes and Other Obligations), or Franchisee or its trained owner cannot operate the store due to death or disability, Franchisor may take over management of Franchisee's Business and stores for a period not to exceed six (6) months or, in the event of pending litigation or arbitration, until the conclusion of such litigation or arbitration. Franchisor shall be paid a management fee of five hundred dollars ($500) per day during the management period in addition to all direct and indirect expenses incurred as a result. Franchisee must provide Franchisor with complete access to the Business and all accounts and other accesses necessary to operate the Business and stores. Franchisee agrees to fully and completely indemnify Franchisor from and against all claims, liabilities, and expenses incurred, whether directly or indirectly, relating to Franchisor's management of the Business or stores. Franchisee also agrees, at Franchisor's request after Franchisor has the right to manage the Business and stores pursuant to this Section, to enter into a management agreement with Franchisor, acceptable to Franchisor, to manage the Business and stores. In no event shall Franchisor have any obligation to manage the Business or Stores.

I. Termination Not Exclusive Remedy. Termination of this Agreement by Franchisor as a result of a default by Franchisee shall not be the exclusive remedy available to Franchisor, and Franchisee shall remain liable to Franchisor for all damages caused to Franchisor as a result of the default, including Franchisor's lost benefit of the bargain of this Agreement should this Agreement be terminated following a default by Franchisee.

J. Future Royalties. If this Agreement is terminated before the expiration of its term, you acknowledge and agree that, in addition to all other available remedies, we shall have the right to recover lost future royalties during any period in which you fail to pay such royalties through and including the remainder of the then current term of this Agreement. Such amount shall be deemed liquidated damages and not a penalty. The amount owing shall be computed by taking the average royalty during the 12 month period preceding the date of termination (or, if 12 months have not elapsed, such shorter period; if royalty reports are missing, any months for which royalty reports are missing shall be assigned the highest amount of any other month or Franchisor's reasonably determined calculation), multiplied by the number of months remaining in the term of this Agreement or any applicable renewal term. Our right to recover lost future royalties shall be non-exclusive and shall not in any way limit our remedies.

XXII. DEFAULT BY FRANCHISOR

If Franchisor fails to materially comply with its material obligations under this Agreement, and fails to cure such failure within thirty (30) days after receipt of notice from Franchisee, clearly identified as a "Notice of Default," and clearly specifying the provision of this Agreement that has been defaulted and the manner in which default has occurred, then Franchisee may terminate this Agreement effective upon providing Franchisor ten (10) additional days' notice of its intent to terminate.

XXIII. ACTIONS FOLLOWING TERMINATION, ASSIGNMENT, OR EXPIRATION

In the event of termination of this Agreement for any reason by either party, Franchisee forfeits all fees paid and will no longer use Franchisor's Names or any other property connected with the franchise. In addition, in the event of termination, expiration, or assignment of this Agreement:

A. Use of Franchisor Property. Franchisee must immediately cease use of all Names, including any parts thereof that are used by Franchisee in any manner or in any medium including but not limited to on-line, Internet, or social media uses. Franchisee must immediately remove all products, equipment, and signage from any bulk or wholesale account established under this Agreement. Franchisee must also immediately cease use of all recipes, formulas, training manuals, Confidential Manuals, and other proprietary property of Franchisor. Franchisee shall immediately return all manuals, Confidential Manuals, training films, videos, training materials, recipes, and other property of Franchisor and shall not operate or do business under any name or in any manner that might tend to give the general public the impression that Franchisee is dispensing, selling, or servicing any of the products developed by Franchisor, or that it is operating a store similar to the BREADSMITH store established under this Agreement.

B. Telephone and Directory Listings. Franchisee shall, at the election of Franchisor, either change all telephone numbers and other public information and directory listings which designate the store as a BREADSMITH store, or, at Franchisor's option, shall execute all documents necessary to transfer to Franchisor, or Franchisor's nominee, the right to use and control all telephone numbers for the store. If Franchisee fails or refuses to immediately execute such documents, Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to do so.

C. Websites, Domain Names, Social Media and Assumed Names. Franchisee shall expeditiously take such action as may be required to properly cancel all domain names, social media accounts, and any assumed name or equivalent registrations relating to the use of Franchisor's Names, or any part thereof, and notify any Internet service provider, domain name registrar, and all listing agencies of the termination or expiration of Franchisee's right to use the domain name, assumed name, and other directory listings associated with Franchisor's Names, and to authorize the Internet service provider, any domain name registrar, and all listing agencies to transfer to Franchisor all such domain names and listings. If Franchisee fails or refuses to immediately complete such action, Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to do so.

D. Redecorating. Franchisee, at Franchisor's request, immediately redecorate the store to prevent the public from believing the store remains in Franchisor's system.

E. Franchisor Right to Purchase. Franchisor has the option to purchase the leasehold improvements, equipment, and tangible assets of the store and any other store operated by Franchisee, including wholesale displays and fixtures, at a price equal to the depreciated cost thereof, based on a straight line sixty (60) month amortization period, as determined by Franchisor in its sole discretion. Franchisor may exercise this option and take immediate possession of all such assets upon sending notice to Franchisee. If Franchisor exercises this option, Franchisor shall notify Franchisee and provide Franchisee with a bill of sale incorporating the purchase price based on the method described in this paragraph and the assets being purchased by Franchisor. If Franchisee believes that Franchisor's determination of the original purchase price paid by Franchisee for any item is incorrect, Franchisee shall, within five (5) business days, provide Franchisor with the evidence supporting this belief. Franchisor may make adjustments as it believes appropriate in its sole discretion. Franchisee shall have ten (10) business days from the date it receives such notice and bill of sale to return the bill of sale executed by Franchisee. If Franchisor has not received the executed bill of sale from Franchisee within ten business days from the date it receives such notice, Franchisee hereby expressly appoints Franchisor to act as Franchisee's attorney in fact to execute the bill of sale and any other documents necessary to complete transfer of ownership of the purchased assets. Franchisor may set off the purchase price amount or any portion thereof against any amounts owing by Franchisee to Franchisor or its affiliates.

F. Lease Assignments. Franchisor may exercise its option to obtain an assignment from Franchisee of Franchisee's Lease Agreement with the landlord of the store pursuant to the terms of the Franchise Collateral Assignment of Lease Agreement and force Franchisee to vacate. If Franchisor exercises its option to obtain an assignment of the Lease Agreement with the landlord of the store under the Collateral Assignment of Lease Agreement executed by Franchisor, Franchisee, and the landlord of the store, Franchisee shall vacate the store promptly and completely and permit Franchisor to take possession of the store.

G. Confidential Manuals and Other Proprietary Material; Customer Lists. Franchisee shall cease and forever abstain from using any proprietary information contained in the Confidential Manuals, and return to Franchisor all copies of the Confidential Manuals and all other documents, instructions, recipes, display items, advertising material, training tools, and other tangible property connected with the franchise, and remove all signs and other items

tending to identify the store as being connected with Franchisor or the BREADSMITH system. Franchisee shall also immediately provide to Franchisor any and all lists of customers of the Franchisee's BREADSMITH store.

H. Inventory and Paper Goods. Franchisor shall have the option to purchase all inventory, paper goods, containers, and all other items containing Franchisor's names or marks at Franchisee's cost.

I. Other Obligations. Franchisor may retain all fees paid pursuant to this Agreement. In addition, all obligations of Franchisor to Franchisee and all rights of Franchisee under this Agreement shall automatically terminate; however, any obligations of Franchisee to take, or abstain from taking, any action upon termination pursuant to this Agreement, shall not be affected by such termination, including the payment to Franchisor of all sums due from Franchisee at the time of termination.

XXIV. ENFORCEMENT

A. Injunctive Relief. Franchisor shall be entitled without bond to the entry of temporary restraining orders and temporary and permanent injunctions enforcing the aforementioned provisions. If a court determines a bond is necessary, Franchisee agrees that the bond shall be limited to not more than Ten Thousand Dollars ($10,000). If Franchisor is successful in obtaining an injunction or any other relief against Franchisee, Franchisee shall pay Franchisor an amount equal to the aggregate of Franchisor's costs of commencing and prosecuting the action, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. Franchisor's right to obtain injunctive or other equitable relief shall be in addition to any other rights Franchisor may have under this Agreement and shall in no way limit or prohibit Franchisor from obtaining money damages from Franchisee.

B. Compulsory Mediation. Except with respect to matters for which Franchisor believes it necessary to seek equitable relief, or to collect royalties or other amounts owing to Franchisor, Franchisee and Franchisor shall be required to enter into mediation of all disputes involving this Agreement or any aspect of the relationship between them for a minimum of four (4) hours prior to the initiation of any legal action or proceeding against the other party or any agent or affiliate of the other party. Such mediation shall be conducted through the American Arbitration Association unless the parties agree to conduct the mediation directly with the mediator. If the party receiving the notice of intent to mediate does not respond within ten (10) business days from the date the notice of intention to mediate is received, then the other party, at its option, may (i) forego mediation of the issue(s) and commence litigation, or, at its option, (ii) select a mediator and/or one of these organizations to provide mediation services. The mediation shall be held within sixty (60) days following receipt by the mediation organization or mediator of notification that its/his/her services shall be retained. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. Franchisor and Franchisee shall have fifteen (15) days from the date the organization is designated to select a person working with that organization to serve as mediator. If the parties are unable to agree on the mediator, then the organization shall select the mediator, but the organization must select a

person who has had at least ten (10) years of experience in franchise law. The mediation shall be held as soon as practicable following selection of the mediator. The parties shall equally share the cost of the mediator. Unless both Franchisor and Franchisee agree otherwise, the mediation will be held in Whitefish Bay, Wisconsin. If Franchisee fails or refuses to abide by the provisions of this subparagraph and to engage in mediation as required herein, and litigation ensues between the parties, Franchisee shall be liable for all attorneys' fees incurred by Franchisor in such proceeding, regardless of the outcome of the proceeding, and shall reimburse Franchisor on demand for such costs.

C. WAIVER OF JURY TRIAL. TO THE EXTENT EITHER PARTY IS PERMITTED TO ENFORCE THIS AGREEMENT BY JUDICIAL PROCESS AND ELECTS TO DO SO, EACH OF THE PARTIES WAIVES ITS RIGHT TO A TRIAL BY JURY. THIS WAJVER SHALL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION, INCLUDING, BUT NOT LIMITED TO, CLAIMS RELATED TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN FRANCHISOR AND FRANCHISEE (INCLUDING ANY OWNERS OR GUARANTORS, IF APPLICABLE, AND INCLUDING ACTIONS INVOLVING AFFILIATES, OFFICERS, EMPLOYEES, OR AGENTS OF FRANCHISOR OR FRANCHISEE) FOR BREACH OF THE FRANCHISE AGREEMENT.

D. Limitations of Claims and Waiver of Class/Multi-Party Actions. Except with regard to franchisee's obligation to pay Franchisor and its affiliates any payments under this Agreement or any other agreement, any claims between the parties must be commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim, or such claim shall be barred. The parties understand that this time limit may be shorter than otherwise would be allowed by law. Franchisee and its owners agree that their sole recourse for claims arising between the parties shall be against Franchisor and its successors and assigns only. Franchisee and its owners agree that Franchisor, its affiliates, members, managers, shareholders, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between the parties or their affiliates and owners. The parties further agree that, in connection with any such proceeding, each party must file any claims which would constitute a compulsory counterclaim under rule 13 of the federal Rules of Civil Procedure, and that any such claim which is not filed as a compulsory counterclaim will be forever barred. The parties agree that any proceeding between them or their owners or affiliates will be conducted on an individual basis, and shall not be conducted on a class-wide basis, commenced, conducted, or consolidated with any other proceeding, or brought on any party's behalf by any association or agent. No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this agreement.

E. Waiver of Punitive Damages/Lost Profits. Franchisor and Franchisee (and the respective owners and guarantors, if applicable) agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages, or lost profits, against the other and against any affiliates, owners, employees, or agents of the other, and agree that in the event of

a dispute between or among any of them, each shall be limited to the recovery of actual damages sustained by it and any equitable relief to which it may be entitled.

F. Exclusive Venue. Franchisor and Franchisee (and the respective owners, officers, affiliates and agents, if applicable) each agree to submit to the exclusive jurisdiction of the state and federal courts of Wisconsin with respect to any litigation pertaining to this Agreement or to any aspect of the business relationship between the parties, even if additional persons are named as parties to such litigation (unless the courts of Wisconsin would have no jurisdiction over such additional persons). No action or proceeding involving this Agreement or any aspect of the relationship between the parties or their agents or affiliates shall be commenced by any party except in Milwaukee County, Wisconsin, nor shall any such action be transferred to any other venue. Notwithstanding the foregoing, if Franchisor is permitted to seek injunctive relief under this Agreement, Franchisor may, at its option, bring such action in the county in which any store that is the subject of the injunctive relief sought is located.

G. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between Franchisor and Franchisee. Franchisor and Franchisee therefore each agree that a decision of an arbitrator or court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between Franchisor and Franchisee. The parties therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

XXV. NOTICES

All notices, requests, demands, payments, consents, and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given and received: (i) when delivered and actually received by the receiving party via facsimile or email; (ii) when delivered by hand; (iii) when delivered by overnight courier; or (iv) three (3) days after being sent by registered or certified United States mail, postage prepaid, addressed as follows:

FRANCHISOR: BREADSMITH FRANCHISING, INC.
409 East Silver Spring Drive, Suite U11
Whitefish Bay, Wisconsin 53217
(414) 962-1965; Fax: (414) 431-5789

FRANCHISEE: to the Notice Address specified in the Data Sheet.

Either party may change its address by giving notice of such change of address to the other party.

XXVI. MISCELLANEOUS

A. Additional Actions. The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Agreement.

B. Reasonable Efforts. Franchisee acknowledges that whenever Franchisor is required to perform any services for Franchisee, or provide any services to Franchisee, Franchisor is not required to perform those services to Franchisee's level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment, taking into account the needs of other franchisees in the BREADSMITH system.

C. Heirs, Successors, and Assigns. This Agreement shall be binding and inure to the benefit of the parties and their heirs, successors, and assigns.

D. Entire Agreement. FRANCHISEE ACKNOWLEDGES THAT IT HAS READ THIS AGREEMENT IN FULL; IS COGNIZANT OF EACH AND EVERY ONE OF THE TERMS AND PROVISIONS THEREOF AND IS AGREEABLE THERETO; THAT NO REPRESENTATIONS OR AGREEMENTS, WHETHER ORAL OR WRITTEN, EXCEPT AS SET FORTH HEREIN OR IN A FRANCHISE DISCLOSURE DOCUMENT PROVIDED TO FRANCHISEE, HAVE BEEN MADE OR RELIED UPON; THAT THE SIGNATURES AFFIXED HERETO WERE AFFIXED AS THE WHOLLY VOLUNTARY ACT OF THE PERSONS WHO SIGNED THIS AGREEMENT; THAT THE TERMS AND PROVISIONS OF THIS FRANCHISE AGREEMENT ARE THE ONLY AGREEMENTS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER CONTAINED IN THIS AGREEMENT AND CANNOT BE CHANGED OR MODIFIED UNLESS IN WRITING SIGNED BY THE AUTHORIZED REPRESENTATIVE OF FRANCHISOR AND AN AUTHORIZED AGENT OF FRANCHISEE; AND THAT THERE CAN BE NO GUARANTY OF SUCCESS SINCE FRANCHISEE'S BUSINESS ABILITY, APTITUDE, AND INDUSTRIOUS DISPOSITION ARE PRIMARY IN FRANCHISEE'S SUCCESS OR FAILURE.

E. Waiver of Rights. Failure by either party to enforce any rights under this Agreement shall not be construed as waiver of such rights. Any waiver, including waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance. Any acceptance of money or other performance by Franchisor from Franchisee shall not constitute a waiver of any default. Notwithstanding the foregoing, if either party defaults or fails to abide by any of its obligations under this Agreement, the other party must give notice of such failure within one (1) year after such failure occurs, or the aggrieved party shall be deemed to have waived the breach, unless the breach relates to the underreporting or failure to report Gross Receipts by Franchisee or failure to pay any amounts owing to Franchisor by Franchisee. To the extent similar obligations are required to be performed in the future, a waiver of a past performance shall not preclude the party from insisting on full performance of such obligation in the future.

F. Approval. Whenever Franchisor's approval or consent is required under this Agreement, such approval or consent shall not be valid unless given in writing and signed by an officer of Franchisor, irrespective of whether the provision in question refers to written approval or consent. Franchisee acknowledges that in light of this provision, it would be unreasonable for it to rely upon any oral approval or consent, and that any consent or approval purportedly given other than in writing shall not be binding upon Franchisor.

G. Late Payment Charges on Past-Due Obligations. Any monies past due to Franchisor from Franchisee shall bear interest at the maximum rate permitted by the state whose

law governs this Agreement, or in the absence of a maximum rate specified by state law, at one and one-half percent (1 1/2%) per month. The foregoing shall not affect any other right or remedy of Franchisor arising from such delinquency.

H. Validity of Parts. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portion, and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in effect.

I. Headings and Table of Contents. The headings and table of contents used herein are for purposes of convenience only and shall not be used in construction of the provisions hereof. As used herein, the male gender shall include the female and neuter genders; the singular shall include the plural, and the plural, the singular.

J. Execution by Franchisor. This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor.

K. Assignment by Franchisor. This Agreement may be assigned in whole or in part by Franchisor without prior approval of Franchisee, and such assignment shall not modify or diminish Franchisee's obligations hereunder.

L. Third Parties. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement, and no third party shall have the right to claim the benefit of any provision hereof as a third-party beneficiary of any such provision.

M. Attorneys' Fees. If Franchisor is required to engage legal counsel in connection with Franchisee's failure to pay when due amounts owing to Franchisor, to submit when due any reports, information, or supporting records, or otherwise comply with this Agreement, Franchisee shall reimburse Franchisor for all of the above-mentioned costs and expenses which it incurs, whether or not litigation ensues. Franchisor shall debit such fees, costs, and expenses by EFT from Franchisee's account as provided in Paragraph XV.B.2. In addition, if Franchisee initiates any legal action (including actions for equitable relief) against Franchisor and Franchisor prevails, Franchisee shall be liable to Franchisor for reimbursements of all attorneys' fees, expert fees, court costs, and other expenses incurred by Franchisor in such litigation or arbitration.

If Franchisor becomes a party to any litigation or arbitration proceeding concerning this Agreement by reason of any act or omission of Franchisee or Franchisee's authorized representatives and not by any act or omission of Franchisor or any act or omission of its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding, Franchisee shall be liable to Franchisor for reasonable attorney's fees, experts fees, and court costs incurred by Franchisor in such arbitration, litigation, proceeding, or action regardless of whether it proceeds to judgment. In addition, Franchisor shall be entitled to add all costs of collection, late payment charges, attorneys' fees and experts' fees to its proof of claim in any solvency proceedings filed by Franchisee.

N. Business Form. If Franchisee is an individual, Franchisee shall be permitted to organize as a corporation or limited liability company and to transfer the business and franchise to

a corporation or limited liability company wholly owned by Franchisee, provided that such entity executes all then-existing Franchise Agreements. Franchisee shall be required to execute a personal guarantee and covenant to ensure the compliance of any such corporation with the terms and obligations of the Franchise Agreement.

O Governing Law. This Agreement, and all claims relating to this Agreement or the parties hereto shall be governed by and construed in accordance with the internal laws of the State of Wisconsin; however, if this Agreement concerns store located in a state other than Wisconsin and the laws of that state require terms other than those or in addition to those contained herein, then this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Franchisor and Franchisee also agree that if Franchisee is not a Wisconsin resident, and if Franchisee's store is not physically located in Wisconsin, then the provisions of the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law shall not apply to this transaction or this Agreement.

Any provision of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement. Any prohibition against or unenforceability of any provision of this Agreement in any jurisdiction, including the state whose law governs this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, Franchisee waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

P. Other Business Interests. Franchisee acknowledges that Franchisor and its affiliates have their own business interests that are not intended to be restricted by this Agreement. Except as expressly provided in this Agreement, Franchisor and its affiliates may pursue their own business interests without obligation to, and irrespective of, the impact of their actions upon Franchisee or Franchisee's BREADSMITH store. These actions include, but not by way of limitation, ownership, operation, or disposition of their own stores or other businesses, and the sale of products or services through other methods of distribution.

Q. Patriot Act. Franchisee represents and warrants to Franchisor that: (i) neither Franchisee (including its directors and officers, if applicable) nor any of its affiliates, or to the best knowledge of Franchisee after due inquiry, any funding source for this franchise, is identified on the list of the United States Treasury's Office of Foreign Assets Control (OFAC); (ii) neither Franchisee nor any of its affiliates is directly or indirectly owned by the government of any country that is subject to an embargo imposed by the United States government; and (iii) neither Franchisee nor any of its affiliates is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo.

R. Debarred List. Franchisee represents, warrants and covenants to Franchisor that Franchisee: (i) is not on the U.S. Department of Commerce Denied Persons, Entities and Unverified List, the U.S. Department of State's Debarred List, or on the U.S. Department of

Treasury's lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (ii) during the term of this Agreement, will not be on any of the Lists; and (iii) during the term of this Agreement, will not sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists.

S. Notification. Franchisee shall notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of the representations, warranties or covenants set forth in Sections XXVI(Q.) or (R.) above incorrect.

XXVII. NO PROJECTIONS OR REPRESENTATIONS

Franchisee acknowledges and represents that it has not received from Franchisor any projections or representations regarding the amount of income it can expect to earn from the franchise granted hereby other than what was provided in the Franchise Disclosure Document. Franchisee acknowledges that no representations or warranties inconsistent with the Franchise Disclosure Document or this Agreement were made to induce Franchisee to execute this Agreement.

Franchisee acknowledges that neither Franchisor nor any person can guarantee the success of the business of Franchisee.

Franchisee is entering into this Agreement after having made an independent investigation of Franchisor's operations. Franchisee understands that the business venture contemplated by Franchisee under this Agreement involves a high degree of financial risk and depends to a large extent upon the abilities of Franchisee.

The undersigned Franchisee, by signing this Franchise Agreement, acknowledges that he or she has read same and that he or she has been requested to state in writing hereafter any terms, claims, covenants, promises, or representations including representations as to any income, gross revenue projections, or other financial performance representations that were made to him or her by Franchisor or his or her representatives including the persons making same, the location, and date. If no such representations, etc., were made, the undersigned should write the word "none" on the following lines:

_____

_____

_____

_____

_____

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

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

	"FRANCHISOR"
WITNESS:	BREADSMITH FRANCHISING, INC.
_____	_____
By:	By: Its:
	"FRANCHISEE" Entity name (if applicable):
WITNESS:	_____
_____	_____
By:	By: Its (if entity):
WITNESS:	
_____	_____
By:	By:

All individuals, partners, and shareholders of the entity which sign this Agreement as Franchisee or otherwise acknowledge and accept the duties and obligations imposed upon each and every one of them, individually, by the terms contained in Paragraph XVIII in of this Agreement requiring that all trade secrets and other confidential information of Franchisor provided to Franchisee be maintained in confidence, and Paragraph XIX of this Agreement prohibiting the undersigned from competing with any BREADSMITH stores as more particularly set forth in such paragraphs.

GUARANTY

IN CONSIDERATION of Franchisor's acceptance of the Franchise Agreement to which this Guaranty is attached (the "Franchise Agreement"), and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby jointly and severally guarantee to Franchisor and to Franchisor's affiliates, successors and assigns the payment by the Franchisee named in the Franchise Agreement, its successors and assigns (the Franchisee) of all fees required to be paid to Franchisor or its affiliates, whether provided for in the Franchise Agreement or under any other agreement (including any promissory note) between Franchisor and the Franchisee, and the performance by the Franchisee of all of the provisions of all such agreements and any renewals of the Franchise Agreement or such other agreements. The undersigned further specifically agree to be individually bound by all covenants, obligations, and commitments of the Franchisee contained in the Franchise Agreement (including without limitation covenants not to compete, solicit, or divulge confidential information) to the same extent as if each of the undersigned had individually been named as the Franchisee in the Franchise Agreement and had individually executed the Franchise Agreement.

The undersigned understand and agree that any modification of the Franchise Agreement, including any addendum or addenda thereto, or waiver by Franchisor of the performance by the Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of the Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Franchise Agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect, or diminish the validity of this Guaranty, except to the same extent, but only to such extent that the liability or obligation of the Franchisee is so released, terminated, affected, or diminished. Notice to the undersigned of any such modification, waiver, extension, or forbearance under the terms thereof is waived. This Guaranty shall be enforceable with respect to a default of the Franchisee upon ten (10) days' written notice by Franchisor to any of the undersigned of any default by the Franchisee of any of its covenants under the terms of the Franchise Agreement and addendum or addenda thereto, or any other agreement between the Franchisee and Franchisor.

The undersigned hereby waive any and all notice of default on the part of the Franchisee; waive exhausting of recourse against the Franchisee; and consent to any assignment of the Franchise Agreement, in whole or in part, that Franchisor or its assignees may make.

Signature: _____

Dated: _____

Signature: _____

Dated: _____

EXHIBIT 1
TO
BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT

This Exhibit refers to the Franchise Agreement dated _____ (the Agreement), by and between BREADSMITH FRANCHISING, INC., a Wisconsin corporation (Franchisor) and _____ (Franchisee), and is made a part thereof.

Pursuant to Paragraph I. A. of the Agreement, Franchisee has selected and Franchisor has approved a designated site for a BREADSMITH store to be operated by Franchisee. The site is at _____ .
Franchisee acknowledges that it has conducted its own independent investigation of this site and the surrounding area and has selected the site as the location for its BREADSMITH store. Franchisee further acknowledges that in approving the site Franchisor is making no representations or guarantees whatsoever as to the viability of the site.

This Exhibit has been entered into and agreed to as of the ___day of _____ , _____.

FRANCHISOR:
BREADSMITH FRANCHISING, INC.

By:_____

Print Name:_____

Its:_____

FRANCHISEE:

By:_____

Print Name:_____

Its:_____

EXHIBIT 2
TO
FRANCHISE AGREEMENT
COLLATERAL ASSIGNMENT OF LEASE AGREEMENT

TABLE OF CONTENTS

Paragraph 1: ASSIGNMENT
- a. Default of Lease
- b. Default of Franchise Agreement
- c. Non-Exercise of Option to Renew or Extend
- d. Sale of Store
- e. Non-Renewal of Franchise Agreement

Paragraph 2: CONSENT TO ASSIGNMENT

Paragraph 3: EXERCISE OF OPTION BY FRANCHISOR

Paragraph 4: TERMINATION OF RIGHTS OF FRANCHISEE

Paragraph 5: ACCESS TO PREMISES BY FRANCHISOR

Paragraph 6: INDEMNIFICATION

Paragraph 7: REMEDIES CUMULATIVE

Paragraph 8: NOTICES
- a. Writing
- b. Change of Address
- c. Mailed Notice

Paragraph 9: MISCELLANEOUS
- a. Injunction
- b. Further Acts
- c. Heirs and Successors
- d. Entire Agreement
- e. Waiver
- f. Validity
- g. Headings and Table of Contents
- h. Execution by Franchisor
- i. Attorney's Fees

Paragraph 10: GOVERNING LAW

Exhibit A — Copy of Franchisee's Actual Lease

BREADSMITH FRANCHISING, INC.

COLLATERAL ASSIGNMENT OF LEASE AGREEMENT

THIS COLLATERAL ASSIGNMENT OF LEASE AGREEMENT is made this _____ day of_____ , 20 ____ , by and between BREADSMITH FRANCHISING, INC. (hereinafter called "Franchisor") and _____ (hereinafter called "Franchisee") and _____ , (hereinafter called "Landlord") involving the BREADSMITH store (hereinafter called "Store") located at _____, (hereinafter called "Franchise Location"), with reference to the following facts:

A. On _____ , 20___ , Franchisee and Landlord entered into a Lease Agreement (hereinafter called "Lease"), a fully executed copy of which is attached hereto as Exhibit A, pursuant to the terms of which Franchisee leased the Franchise Location from Landlord to operate the Store thereon.

B. On _____ , 20___ , Franchisor and Franchisee executed a Franchise Agreement pursuant to the terms of which Franchisee obtained a franchise from Franchisor to operate the Store at the Franchise Location.

C. Franchisor, Franchisee, and Landlord desire to enter into this Agreement to define the rights of Franchisor in and to the Franchise Location and to protect the interests of Franchisor in the continued operation of the Store at the Franchise Location during the entire term of the Lease, and any and all renewals and extensions thereof, and Landlord desires to consent to this assignment on the terms and conditions set forth herein.

NOW, THEREFORE, IT IS AGREED:

1. ASSIGNMENT.

Franchisee hereby assigns, transfers, and conveys to Franchisor all of Franchisee's right, title, and interest in and to the Lease; however, this assignment is for collateral purposes and shall become effective only upon Franchisor's exercise of the option granted to Franchisor in Paragraph 3 herein subsequent to the occurrence of any of the following events:

a. Default of Lease.

If Franchisee shall be in default in the performance of any of the terms of the Lease, unless such default is cured within the period required in the Lease or within thirty (30) days following written demand given by Franchisor, whichever is sooner.

b. Default of Franchise Agreement.

If Franchisee shall be in default in the performance of any of the terms of the Franchise Agreement, or upon the occurrence of any acts that would result in termination of the Franchise Agreement as specified in the Franchise Agreement. Franchisee acknowledges that any default in the Lease which remains uncured for thirty (30) days shall also constitute a default of the Franchise Agreement.

c. Non-Exercise of Option to Renew or Extend.

Franchisee agrees that it shall elect and exercise all options to extend the term or renew the Lease upon not less than thirty (30) days prior to the last day that said option must be exercised, unless Franchisor otherwise agrees in writing. Upon failure of Franchisor to otherwise agree in writing, and upon failure of Franchisee to so elect to extend or renew the Lease as aforesaid, Franchisee hereby irrevocably appoints Franchisor as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name place and stead of Franchisee for the sole purpose of effecting such extension or renewal.

d. Sale of Store.

Upon Franchisee's sale of its entire right, title, and interest in and to the Store conducted at the Franchise Location as a going concern.

e. Non-Renewal of Franchise Agreement.

If Franchisee fails to exercise an option to renew the Franchise Agreement.

Except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising in connection with this assignment or the Lease unless Franchisor shall take possession of the Franchise Location pursuant to the terms hereof and shall expressly agree in writing to assume the obligations of Franchisee thereunder.

2. CONSENT TO ASSIGNMENT.

Landlord hereby consents to this assignment, which consent shall remain in effect during the entire term of the Lease and any and all renewals or extensions thereof, and agrees that the Lease shall not be amended, modified assigned, extended, surrendered, terminated or renewed, nor shall the Franchise Location be sublet by Franchisee, without the prior written consent of Franchisor. Landlord agrees to provide Franchisor with copies of any notice of Franchisee's default.

3. EXERCISE OF OPTION BY FRANCHISOR.

Franchisor may exercise the option granted herein, and thereby make this assignment unconditional, by giving written notice to Franchisee and Landlord of its exercise of said option in the manner specified in Paragraph 7 hereof and by thereafter delivering to Landlord, within ten (10) business days after Landlord requests the same, a written assumption of the obligations of the Lease.

Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the option granted herein, to assign and transfer its rights under this Agreement to a new Franchisee selected by Franchisor to operate the Store with the prior written consent of Landlord, which shall not be unreasonably withheld, provided that such new Franchisee shall have a credit rating and a net worth adequate for the operation of the Store. In such event, such new Franchisee shall obtain the assignment of the Lease and shall assume the obligations of the

Lease in place and instead of Franchisor and Franchisor shall be released from liability under the Lease from and after the date such new franchisee assumes the Lease.

4. TERMINATION OF RIGHTS OF FRANCHISEE.

Upon the exercise of the option granted to Franchisor herein, Franchisee shall no longer be entitled to the use or occupancy of the Franchise Location; all of Franchisee's prior rights in and to the Lease will have been, in all respects, terminated, and, by the terms of this Agreement, assigned to Franchisor, or its assignee; and Franchisee shall immediately vacate the Franchise Location. If Franchisee shall fail or refuse to take any of these actions, Franchisor shall have the right to expel Franchisee from the Franchise Location and to enter the Franchise Location and take possession of the Franchise Location.

5. ACCESS TO PREMISES BY FRANCHISOR. Franchisee and Landlord shall permit Franchisor and its employees and agents to access the premises at any time upon reasonable notice, at which time Franchisee or Landlord will provide Franchisor with access to the premises. Franchisor shall have the specific right to enter the premises upon default by Franchisee under the Franchise Agreement or any other agreement between Franchisor and Franchisee to secure or remove any personal property of Franchisee or Franchisor.

6. INDEMNIFICATION.

Franchisee hereby agrees to indemnify and hold Landlord and Franchisor harmless from and against any and all loss, costs, expenses (including attorney's fees), damages, claims, and liabilities, however caused, resulting directly or indirectly from or pertaining to the exercise by Franchisor and/or Landlord of the rights and remedies granted under this Agreement.

7. REMEDIES CUMULATIVE.

The remedies granted pursuant to this Agreement are in addition to and not in substitution of any or all other remedies available at law or in equity to Franchisor.

8. NOTICES.

a. Writing.

All notices, requests, demands, payments, consents, and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given three (3) days after being sent by registered or certified United States mail, postage prepaid, addressed as follows:

FRANCHISOR: BREADSMITH FRANCHISING, INC
409 E. Silver Spring Drive, Suite U11
Whitefish Bay, Wisconsin 53217

FRANCHISEE:

LANDLORD:

b. Change of Address.

Any party may change its address by giving notice in writing of such change of address to the other parties.

c. Mailed Notice.

Mailed notices shall be deemed communicated within three (3) days from the time of mailing if mailed as provided in this Paragraph 7.

9. Miscellaneous.

a. Injunction.

Franchisee and Landlord recognize the unique value and secondary meaning attached to BREADSMITH, its Names, trademarks, trade names, service marks, insignia and logo designs, and the Franchise Location displaying same, and agree that any non-compliance with the terms of this Agreement will cause irreparable damage to Franchisor and its franchisees. Franchisee and Landlord therefore agree that in the event of any non-compliance with the terms of this Agreement, Franchisor shall be entitled to seek permanent and temporary injunctions from any court of competent jurisdiction in addition to any other remedies prescribed by law.

b. Further Acts.

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

c. Heirs and Successors.

This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors, and assigns.

d. Entire Agreement.

This Agreement represents the entire understanding between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written, except any other agreement executed by Franchisor, Landlord, and Franchisee, or any other agreement between Franchisor and Franchisee, and except those disclosures given in the Franchise Disclosure Document. This Agreement may only be modified in writing. The parties intend this Agreement to be the entire integration of all of their agreements of any

nature. No other agreements, representations, promises, commitments, or the like, of any nature, exist between the parties, except as set forth or otherwise referenced herein.

e. Waiver.

Failure by any party to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance.

f. Validity.

Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portion and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in effect.

g. Headings and Table of Contents.

The headings and table of contents used herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders; the singular shall include the plural, and the plural, the singular.

h. Execution by Franchisor.

This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor.

i. Attorney's Fees.

If Franchisor becomes a party to any litigation concerning this Agreement by reason of any act or omission of Franchisee and/or Landlord or their authorized representatives and not by any act or omission of Franchisor or any act or omissions of its authorized representatives, Franchisee shall be liable to Franchisor for reasonable attorney's fees and court costs incurred by Franchisor in the litigation.

If any party commences an action against any other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorney's fees and costs of suit.

10. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal laws of the state of Wisconsin; however, if this Agreement concerns a Store location in a state other than such state and the laws of that state require terms other than those or in addition to those contained herein, then this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or any provision hereof, the imposition of fines or penalties, or the creation of civil or

criminal liability on account thereof. Any provision of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition of unenforceability without invalidating the remaining provisions of this Agreement. Any prohibition against or unenforceability of any provisions of this Agreement in any jurisdiction, including the state whose laws govern this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, Franchisee and Landlord waive any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

IN WITNESS WHEREOF, the parties have executed this Agreement at _____ _____ , on the date first above written.

BREADSMITH FRANCHISING, INC.

By:_____

Title: _____

(typed or printed name and title)

FRANCHISEE:

(name of entity)

By: _____

Title:_____

(typed or printed name and title)

LANDLORD:

(name of entity)

By: _____

Title: _____

(typed or printed name and title)

EXHIBIT 3 TO FRANCHISE AGREEMENT

GENERAL RELEASE

In consideration for the consent of Breadsmith Franchising Inc. ("Franchisor") to the assignment by _____ ("Franchisee") of its interest in that certain Franchise Agreement dated ___, between Franchisor and Franchisee, Franchisee and _____ ("Franchisee Members"; together with Franchisee, the "Franchisee Parties") hereby remise, release, and forever discharge Franchisor, its officers, directors, employees and agents, and their respective successors, assigns, heirs and personal representatives from all debts, covenants, liabilities, actions, and causes of action of every kind and nature, including but not limited to those arising out of or existing under the Franchise Agreement, the offer and sale thereof, and out of the franchise relationship between the parties hereto, whether in law or in equity, from the beginning of time to the date hereof. Franchisee Parties acknowledges that this Release is intended to be a general release and is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released.

This Release has been entered into and agreed to as of the __ day of _, 20__.

"Franchisee"	**"Franchisee Members"**
_____	_____
By:	_____, individually Date
Its:	
	_____
	_____, individually Date

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT REQUIRED BY
THE CALIFORNIA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to all Breadsmith™ franchises offered and sold in the state of California:

1. Section XIX of the Agreement, under the heading "Non-Competition," shall be supplemented by the addition of the following paragraph:

C. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to California Law. Franchisor does not know whether the obligations in this Section XIX are enforceable under California Law.

2. Section XXI of the Agreement, under the heading "Default by Franchisee," shall be supplemented by the addition of the following paragraphs:

Provision A. 1. of this Section may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

3. Section XXVII of the Agreement, Section or any Section that requires a disclaimer for a representation shall not relate to any representations made by BFI in the Franchise Disclosure Document provided by BFI to the Franchisee prior to the execution of the Agreement.

Franchisor:

BREADSMITH FRANCHISING, INC.,
a Wisconsin Corporation

By:_____

Name:_____

Its:_____

Franchisee:

By:_____

Name:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT REQUIRED BY THE
ILLINOIS FRANCHISE DISCLOSURE ACT

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____ ("Franchisee").

1. No provision of the Agreement will constitute a waiver of any right concerning governing law, jurisdiction, venue and choice of law conferred upon Franchisee by the Illinois Franchise Disclosure Act. The Illinois Franchise Disclosure Act will govern the Agreement with respect to Illinois Franchisees.

2. In any mediation involving a franchise purchased in Illinois, the mediation site shall be in the State of Illinois.

3. Illinois law shall apply and the venue of litigation shall be in the State of Illinois.

4. Franchisor shall not require a general release upon transfer of the franchise.

5. Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void." This may void certain provisions of the Franchise Agreement including but not limited to Section XXIV(c).

6. The Agreement is subject to Sections 19 and 20 of the Illinois Franchise Disclosure Act as to the conditions of termination or non-renewal of the Agreement.

7. The Initial Franchise Development Fee will be due when Franchisor has completed all of its pre-opening obligations to the Franchisee. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

To the extent this Addendum shall be deemed to be inconsistent with any term or conditions of the Agreement or Exhibits or attachments, the terms of the Illinois Franchise Disclosure Act as stated in this Addendum shall govern.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ____ day of _____, 20__.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., a Wisconsin corporation	
By:_____	By:_____
Name:_____	Name:_____
Title:_____	By:_____
	Name:_____

ADDENDUM
BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor" or "BFI") and_____ ("Franchisee").

1. The geographical limitation not to compete contained in Section XIX may be limited by Indiana Code 23-2-2.7-1(9).

2. Any general release required to be executed by the Franchisee as a condition to renewal or assignment of the Agreement will comply with Indiana Code Section 23-2-2.7-1(5) and will not apply to any liability under Indiana Code Section 23-2-2.5.

3. Section XXVII of the Agreement shall not relate to any representations made by BFI in the Franchise Disclosure Document provided by BFI to the Franchisee prior to the execution of the Agreement.

4. The provisions of Section XXIV(G) of the Agreement shall not apply to the extent that such provision are in conflict with Indiana Code 23-2-2.7-1(10).

5. To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement or the exhibits and attachments thereto, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ____ day of _____, 20__.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., a Wisconsin corporation	
By:_____	By:_____
Name:_____	Name:_____
Title:_____	By:_____
	Name:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT REQUIRED BY THE
MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____ ("Franchisee").

1. Pursuant to COMAR 02.02.08.16L, 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.

2. Pursuant to Section 14-226 of the Maryland Franchise Registration and Disclosure Law, the acknowledgements made by the Franchisee contained in Section XXVII and Section XXVI of the Franchise Agreement will not be construed to as a release, estoppel, or waiver of the Franchise's rights or Franchisor's liability under the Maryland Franchise Registration and Disclosure Law.

3. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section XXI of the Agreement, under the heading "Default by Franchisee," shall be supplemented by the addition of the following paragraphs:

Provision A. 1. of this Section may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

5. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

To the extent this Addendum is deeded to be inconsistent with any terms or conditions of the Agreement, the terms of this Addendum will govern. All other terms and conditions of the Agreement will remain the same.

Franchisor:

BREADSMITH FRANCHISING, INC.,
a Wisconsin corporation

By:_____

Name:_____

Title:_____

Franchisee:

By:_____

Name:_____

By:_____

Name:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT REQUIRED BY THE
MINNESOTA FRANCHISE LAW

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____.

1. Any release executed in connection with the Franchise Agreement shall not apply to any claims arising under Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22, providing that a franchisee cannot be required to asset to a release, assignment, or waiver that would relieve any person from liability imposed by such statutes; provided, however, that this shall not bar the voluntary settlement of disputes.

2. With respect to the franchises governed by Minnesota law, we will comply with Minnesota Statute Sec. 80C.14, subdivisions 3, 4 and 5 which, except in certain specific cases, that we give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

3. No action may be commenced against us pursuant to Minn. Stat. §80C.17 more than three years after the cause of action accrues.

4. Minnesota Statute Sec. 80C.21 and Minnesota Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota States, Chapter 80C, or your rights to a jury trial or any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

5. We agree to protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Franchisor:

BREADSMITH FRANCHISING, INC.,
a Wisconsin corporation

By:_____

Name:_____

Title:_____

Franchisee:

By:_____

Name:_____

By:_____

Name:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT REQUIRED BY
THE NEW YORK GENERAL BUSINESS LAW

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to all Breadsmith™ franchises offered and sold in the state of New York:

1. The last paragraph of Section VII.D of the Agreement, under the heading "Names and Marks," shall be deleted in its entirety and following shall be substituted in lieu thereof:

> Franchisee must notify Franchisor immediately in writing of any apparent infringement of or challenge to Franchisee's use of any Name, or claim by any person of any rights in any Name or any similar trade name, trademark or service mark of which Franchisee becomes aware. Franchisee may not communicate with any person other than Franchisor and its 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 or to otherwise protect and maintain its interest in the Names. Franchisor shall not be obligated to defend Franchisee against the claim of a third party that the operation of the business or Franchisee's use of the Names infringes any right of the third party and Franchisor shall not be obligated to protect, indemnify or hold harmless Franchisee from the consequences of any such claim or litigation. In the event Franchisor does not take action, Franchisee will have to protect itself at its own expense.

2. Section XIII of the Agreement, under the heading "Indemnification," shall be supplemented by the addition of the following sentence:

> However, Franchisee shall not be required to indemnify Franchisor for any claims arising out of a breach of this Agreement by Franchisor or other civil wrongs of Franchisor.

3. Section XIX of the Agreement, under the heading "Non-Competition," shall be supplemented by the addition of the following at the end of the last paragraph in lieu of the last sentence thereof:

> Therefore, Franchisee hereby allows Franchisor to apply for an injunction prohibiting any conduct by Franchisee in violation of the non-competition covenants contained herein.

4. Section XXVI.K of the Agreement, under the subheading "Assignment by Franchisor," shall be deleted in its entirety and the following shall be substituted in lieu thereof:

> J. This Agreement is fully assignable by Franchisor and shall inure to the benefit of any assignee or other legal successor to the interest of Franchisor herein. However, no assignment shall be made except to an assignee who, in the good faith judgment of Franchisor, is willing and able to assume Franchisor's obligations under this Agreement.

5. The first paragraph of Section XXVI.O of the Agreement, under the subheading "Governing Law," shall be deleted in its entirety and the following shall be substituted in lieu thereof:

> Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Wisconsin; excluding only such claims as Franchisee may have that have arisen under the New York State General Law. Notwithstanding the foregoing, the parties agree that if Franchisee is not a Wisconsin resident, and if Franchisee's store is not physically located in Wisconsin, then the provisions of the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law shall not apply to this transaction or this Agreement. However, the foregoing choice of law should not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., a Wisconsin corporation	
By:_____	By:_____
Name:_____	Name:_____
Title:_____	By:_____
	Name:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor" or "BFI") and_____ ("Franchisee").

1. No provision of the Agreement will constitute a waiver of any right concerning governing law, jurisdiction, venue and choice of law conferred upon Franchisee by the North Dakota Franchise Investment Law. The North Dakota Franchise Investment Law will govern the Agreement with respect to North Dakota Franchisees.

2. In any mediation involving a franchise purchased in North Dakota, the mediation site shall be in the State of North Dakota.

3. North Dakota law shall apply and the venue of litigation shall be in the State of North Dakota.

4. Pursuant to Section 51-19-06 of the North Dakota Franchise Investment Law, SECTION 15.C(5) of the Agreement will be amended to provide that any general release required to be executed by the Franchisee as a condition to renewal of the Agreement will not apply.

5. The provisions of Section XIX of the Agreement shall not apply to the extent that such provision are in conflict with Section 9-08-06 of the North Dakota Century Code and Section 51-19-09 of the North Dakota Franchise Investment Law.

6. Section XXIV.C and XXIV.D are deleted in their entirety.

7. Section XXVI.E. is amended by deleting the one (1) year requirement to bring a claim. It is hereby agreed that the Statutes of Limitations for the state of North Dakota will apply to disputes under this Agreement.

8. To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement or the exhibits and attachments thereto, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ____ day of _____, 20__.

Franchisor:

BREADSMITH FRANCHISING, INC.,
a Wisconsin corporation

By:_____

Name:_____

Title:_____

Franchisee:

By:_____

Name:_____

By:_____

Name:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT REQUIRED FOR SOUTH DAKOTA FRANCHISEES

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____ ("Franchisee").

1. Section III A of the Franchise Agreement is replaced with the following:

   Minimum Development Fee. The Initial Franchise Development Fee is Thirty Thousand Dollars ($30,000.00). You must pay us this fee when you open for business. The Initial Franchise Development Fee is paid in consideration of the rights granted in the Agreement and will be deemed fully earned at the time paid. You acknowledge that we have no obligation to refund the Franchise Fee, in whole or in part, for any reason.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Agreement.

3. Except as expressly modified by this Addendum, the Agreement remains unmodified and in full force and effect.

Breadsmith Franchising, Inc.:	**FRANCHISEE:**
By:_____	By:_____
Print Name: _____	Print Name:_____
Title:_____	Title:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
FRANCHISE AGREEMENT REQUIRED BY THE
FRANCHISE INVESTMENT PROTECTION ACT OF WASHINGTON

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____.

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be Court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

2. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

6. Washington will require that the initial franchise fee be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

7. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that

conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., a Wisconsin corporation	
By:_____	By:_____
Name:_____	Name:_____
Title:_____	By:_____
	Name:_____

EXHIBIT F

SATELLITE FRANCHISE AGREEMENT AND EXHIBITS

BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT

DATA SHEET

Franchisee:	
Responsible Party(ies) (if Franchisee is an entity):	
Satellite Store Location (non-exclusive area):	
Satellite Store Address:	
Satellite Store City, State & Zip:	
Notice Address:	
Main Telephone:	
Alternate Telephone:	
Email Address:	
Agreement Date:	
Primary Store Franchise Agreement Date	
Primary Store Address	
Primary Store Agreement Termination Date	

*****The terms of this Data Sheet are incorporated into the attached Franchise Agreement.*****

BREADSMITH FRANCHISING, INC.

SATELLITE FRANCHISE AGREEMENT

THIS SATELLITE FRANCHISE AGREEMENT ("Agreement") is made at Whitefish Bay, Wisconsin, as of the Agreement Date set forth on the data sheet attached to this Agreement ("Data Sheet"), by and between BREADSMITH FRANCHISING, INC., a Wisconsin corporation (hereinafter called "Franchisor") and the Franchisee identified on the Data Sheet (hereinafter called "Franchisee").

Franchisee hereby acknowledges that this Agreement was accompanied by a Disclosure Document which Franchisee received at the earlier of: (i) the first personal meeting with Franchisor; (ii) fourteen (14) calendar days prior to the signing of any franchise or related agreement; or (iii) fourteen (14) calendar days before any payment by Franchisee. In addition, Franchisee acknowledges receipt of this Agreement, containing all material terms, at least seven (7) business days prior to signing this Agreement.

This Agreement is concerned with the offer and sale of franchises for the establishment and operation of a BREADSMITH satellite store featuring the retail sale of hearth baked breads, hearth baked products, food products, and complementary items.

The distinguishing characteristics of the BREADSMITH system include, but are not limited to: the name "BREADSMITH"; color schemes, designs, and layouts for the retail franchise premises; specialized packaging, menus, signs, logos, trade names, domain names; specially provided confidential recipes for hearth baked breads and other foods; and convenient methods for preparing, serving, and merchandising these breads and foods in the BREADSMITH retail premises.

Franchisee signed a Franchise Agreement with the date set forth in the Data Sheet (Primary Store Franchise Agreement Date) for the operation of a BREADSMITH store located at the Primary Store Address (the "Primary Store").

Franchisee desires to obtain a franchise to operate a BREADSMITH satellite store which will be supported by Franchisee's Primary Store in a restricted area utilizing such concepts, methods, and techniques under the trade style of BREADSMITH and any other trade styles required by Franchisor. Franchisee has submitted a request for a satellite store and other pertinent information, including financial statements, to Franchisor which fully and truthfully set forth the information therein, and has further advised Franchisor of all persons who will hold an interest in the franchise.

Franchisor and Franchisee, intending to be legally bound, for and in consideration of the mutual covenants set forth herein, do mutually covenant and agree:

I. LICENSE AND DESIGNATED TERRITORY

A. License. Franchisor hereby grants Franchisee the right to use the trade name "BREADSMITH" and such other service marks, trademarks, logos and copyrights as Franchisor may designate from time to time, and Franchisee is designated as a participant in Franchisor's system to operate a BREADSMITH satellite store at one location only (hereinafter called a "store or a "satellite store") within a specific designated geographic territory (defined in Paragraph I.B. as the Designated Territory), and only within the Designated Territory, and subject to the provisions of this Agreement.

1. Franchisee's satellite store will be located on a site selected by Franchisee and approved by Franchisor in the non-exclusive Store Location identified on the Data Sheet. At such time as Franchisor has approved a site for the satellite store, the location of that site shall be listed in Exhibit 1 attached hereto and the Satellite Store Address and Satellite Store City, State & Zip shall be listed in the Data Sheet. The designated premises listed in Exhibit 1 and/or the Data Sheet shall hereafter be referred to as "the Franchise Location."

2. Franchisee will not open its satellite store until it has obtained all necessary governmental permits and approvals, and also received Franchisor's written approval to do so. Franchisee shall not change its satellite store location without prior written approval of Franchisor. Franchisor's approval of a site shall in no way be considered an assurance that the satellite operated at that site will be successful.

B. Designated Territory. During the term of this Agreement, and provided that Franchisee is not in default under this Agreement or any other agreement between Franchisor and Franchisee, Franchisor will not grant to anyone else a Franchise to operate, and will not itself operate, a bakery selling hearth baked products, either under the BREADSMITH name or under any other name, within five (5) miles of the satellite store (such territory hereinafter to be referred to as the "Designated Territory"). This area shall be measured by roads an automobile would travel when leaving the parking space nearest to the front door of the store. Notwithstanding the foregoing, if the site of the Franchise Location is in a regional shopping mall consisting of at least five hundred thousand (500,000) square feet of space, with at least two (2) department stores as anchor tenants, then in lieu of the five (5) mile area, the Designated Territory will be considered the physical boundaries of the shopping mall itself.

Notwithstanding the foregoing, Franchisor shall be permitted to sell franchises or open company-owned BREADSMITH stores at any locations outside the Designated Territory, and to solicit, establish, and service bulk and wholesale accounts, or authorize others to do so, outside the Designated Territory, even if such stores or accounts compete for customers within the Designated Territory. In addition, Franchisor reserves the right to sell, and to assign to others the right to sell fresh and frozen bread, bread related items such as flour, pizzas, grains, cookies and cookie dough, muffins and dipping oils, jams, croutons, and non-bread items, such as cooking utensils, under the BREADSMITH name or under any other name (i) to any person or account, wherever located, through telephone, mail order, and online services, and (ii) through stores located outside the Designated Territory. However, if Franchisor receives orders by telephone, mail order or online services from persons requesting delivery in the Designated Territory, Franchisor will give Franchisee the first opportunity to fill the order, and Franchisor will not fill the order or reassign it unless Franchisee does not fill the order within twenty-four (24) hours after

Franchisor provides the order to Franchisee (or Franchisee advises Franchisor that it does not intend to fill the order). Franchisor also reserves the right to:

1. Sell and assign to others the right to sell frozen breads, frozen par baked bread, frozen dough, frozen pizzas, and other items through supermarkets, department stores and specialty retail stores, where at least eighty percent (80%) of the revenues of such stores are generated from products not typically offered in BREADSMITH stores, whether such stores are located inside or outside the Designated Territory;

2. Own, franchise, develop, or operate other concepts, including those that involve hearth-baked products, such as pizzas, both inside and outside the Designated Territory; and

3. Sell and assign to others the right to sell, prepackaged bakery products under the BREADSMITH name to grocery stores, convenience stores, and other stores that sell prepackaged bakery items, whether such stores are located inside or outside the Designated Territory; provided, however, that once Franchisee opens its satellite store, and so long as that satellite store remains open, Franchisor shall pay to Franchisee a royalty equal to five percent (5%) of the Receipts it receives from the sale of prepackaged bakery products under the BREADSMITH name to stores that are located within two (2) miles of the Franchise Location (measured by roads an automobile would travel when leaving the parking space nearest to the front door of Franchisee's satellite store and driving to the parking space nearest to the front door of the satellite store to which such products are sold). For purposes of this paragraph, Receipts shall mean all revenues collected by Franchisor, excluding delivery charges, bad checks, rebates, promotional sales coupons, refunds, or the amount of any sales tax or other similar taxes. Such royalty shall be paid to Franchisee within fifteen (15) days following the end of the month in which such receipts have been received by Franchisor; provided, however, Franchisor shall have the right to offset against any such payments the amount of any obligations owing to Franchisor by Franchisee.

II. TERM AND RENEWAL

A. Term. This Agreement shall be effective and binding from the date as of the Agreement Date set forth in the Data Sheet attached hereto (or, only if no date is provided in the Data Sheet, on the date it is fully signed) and shall continue, unless terminated sooner as provided herein, through the Primary Store Agreement Termination Date.

B. Renewal. Franchisee may, upon mutual Agreement of the Franchisee and Franchisor, renew this Satellite Franchise Agreement in conjunction with the Franchise Agreement for the Primary Store provided that the Franchise Agreement for the Primary Store is also renewed and Franchisee has met the following requirements:

1. Franchisee has given Franchisor written notice of such election at least two hundred forty (240) days prior to the expiration of the term of this Agreement. Franchisor agrees to give Franchisee written notice, not more than sixty (60) days after receipt of Franchisee's notice, of Franchisor's decision to renew or not renew the franchise and the

conditions or deficiencies in the operation of the satellite store, if any, that Franchisee must correct and the time periods in which such conditions or deficiencies must be corrected. Franchisor shall give Franchisee written notice of a decision not to grant a renewal based upon Franchisee's failure to cure deficiencies not less than ninety (90) days prior to the expiration of this Agreement; and

2. Franchisee is not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its subsidiaries and affiliates, and has substantially complied with all the terms and conditions of such agreements during the terms thereof; and

3. Upon renewal, Franchisee executes Franchisor's then-current form of satellite franchise agreement, which agreement shall supersede in all respects this Agreement, and the terms of which may differ materially from the terms of this Agreement, including, without limitation, the then-current royalty fee, advertising contributions, and revisions of the Designated Territory. Franchisee will not be required, however, to pay any new initial fees in connection with the renewal. Franchisee further acknowledges that the term of this Agreement without renewal provides Franchisee more than a sufficient opportunity to recoup its investment in the Franchise and to earn a reasonable return on that investment; and

4. Franchisee executes a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees; and

5. Franchisee maintains possession of, and continues to operate, at least one Primary Franchise Location; and

6. Franchisee remodels the Franchise Location to bring the inside and outside of the Franchise Location, and all equipment, computers, and software, up to the then-current standards of Franchisor prior to the commencement of the renewal term; and

7. Prior to renewal, Franchisee, at Franchisee's expense, attends and successfully completes, to Franchisor's reasonable satisfaction, any retraining program Franchisor may prescribe in writing; and

8. Franchisee pays to Franchisor a renewal fee of Three Thousand Dollars ($3,000.00).

If Franchisor does not provide Franchisee with notice of non-renewal of the Franchise, but Franchisee does not sign a new Satellite Franchise Agreement prior to expiration of the term of the Franchise, or otherwise fails to meet any condition for renewal of the Franchise that is not waived by Franchisor, and Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, this Agreement will be treated as if it had renewed on a month-to-month basis (the "Interim Period") with royalties adjusting to a straight line 7% for all Gross Receipts (retail or wholesale) until one party provides the other with written notice of such party's intention 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. Notwithstanding anything set

forth herein to the contrary, (i) all obligations of Franchisee shall remain in full force and effect during the Interim Period as if the term of the Franchise had not expired, and (ii) all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall commence upon termination of the Interim Period.

III. INITIAL FRANCHISE FEES

A. Minimum Development Fee. The Initial Franchise Development Fee is Five Thousand Dollars ($5,000.00). The entire Initial Franchise Development Fee is payable in full upon execution of this Agreement.

B. Consideration. Franchisee hereby acknowledges and agrees that the grant of this Franchise and the undertakings and agreements of Franchisor contained in this Agreement constitute the sole and only consideration for the payment of the Initial Franchise Development Fee except as may be otherwise provided in this Agreement. The Initial Franchise Development Fee shall be fully earned by Franchisor upon the signing of this Agreement and constitutes remuneration for screening, interviewing, and processing Franchisee and for consultation regarding the setting up of the business to be operated under this Agreement.

IV. SATELLITE STORE LEASE

Franchisee shall lease or buy the Franchise Location directly from its owner. In the case of a lease, the term of the lease shall be no less than five (5) years and the final Lease Agreement, including the terms of any renewals of the Lease Agreement available to Franchisee, shall not be executed by Franchisee without the prior written approval of Franchisor. Franchisee agrees to collaterally assign any Lease to Franchisor as security for Franchisee's timely performance of all obligations under this Agreement and secure the Lessor's consent to such collateral assignment. The assignment shall be accomplished by execution of a Collateral Assignment of Lease Agreement, in the form of Exhibit 2. Franchisee acknowledges that Franchisor's approval of any Lease for its satellite store does not constitute a guarantee or warranty by Franchisor, express or implied, of the successful operation or profitability of a BREADSMITH satellite store operated at the premises. The Franchise Location shall be used for no purpose other than the operation of a BREADSMITH satellite store.

V. IMPROVEMENTS, EQUIPMENT, AND FIXTURES

A. Franchisee Obligations. Franchisee shall, at its sole expense, effect leasehold improvements and install such signs, pictures, fixtures, furniture, and equipment at the satellite store under Paragraph VII. R. of this Agreement, as are required in accordance with Franchisor's current requirements and specifications in effect at the time of making the improvements or installations.

B. Satellite Store Plans and Specifications. Franchisor shall provide Franchisee with a sample layout for the interior of a typical BREADSMITH satellite store and with a set of typical preliminary plans and decor specifications used by Franchisor at the time of commencement of construction. Franchisee shall, at its sole expense, employ architects, designers, engineers, or others as may be necessary to complete, adapt, modify, or substitute the

sample plans and specifications for its satellite store. Franchisee shall submit to Franchisor a complete set of final plans and specifications prior to commencing construction of its satellite store. Franchisor shall review such plans and specifications promptly and approve or provide comments on the plans and specifications to Franchisee. Franchisee shall not commence construction of its satellite store until Franchisor approves in writing the final plans and specifications to be used in constructing the satellite store. Franchisor shall consult with Franchisee, to the extent Franchisor deems necessary, on the construction and equipping of its satellite store, but it shall be and remain the sole responsibility of Franchisee to diligently design, construct, equip, and otherwise ready and open its satellite store on a timely basis.

C. Construction Obligations of Franchisee. Franchisee shall use a licensed general contractor satisfactory to Franchisor to perform construction work at its satellite store. Franchisor shall not be responsible for delays in the construction, equipping, or decoration of Franchisee's satellite store or for any loss resulting from the satellite store design or construction since Franchisor has no control over the Landlord or developer, or construction related problems that could occur and delay the opening of Franchisee's satellite store. Franchisee shall provide a construction timeline for approval. Franchisor must approve in writing all changes in satellite store plans prior to construction of the satellite store or implementation of such changes. Franchisor shall have access to the Franchise Location while work is in progress and may require such reasonable alterations or modifications of the construction of the satellite store as Franchisor deems necessary.

Franchisor may make a final inspection of the completed satellite store prior to opening, and any wholesale displays installed by or at the direction of Franchisee, and may require such corrections and modifications as Franchisor deems necessary to bring the satellite store into compliance with approved plans and specifications. Franchisee shall not open its satellite store if the satellite store does not conform to the plans and specifications approved by Franchisor, including changes thereof approved by Franchisor. Failure by Franchisee to correct any unauthorized variance from the approved plans and specifications promptly or, subject to fire, flood, earthquake, or other similar causes beyond Franchisee's control, to open its satellite store within nine (9) months after the execution of the Franchise Agreement or any scheduled opening date set by Franchisor after completion of the premises may result in the termination of this Agreement.

D. Changes in Location by Franchisee. If Franchisee changes the location of its satellite store at any time during the term of this Agreement or any extensions or renewals hereof, subject to other provisions of this Agreement, Franchisee shall pay Franchisor the fair market value of suggested layout plans for the new location if they are provided by Franchisor.

E. Fixtures, Leasehold Improvements and Equipment. All leasehold improvements shall be constructed according to the exact specifications of Franchisor in effect at the time the improvements are made. All equipment for Franchisee's business, must also meet the exact specifications of Franchisor, including brand and model number, where designated. Franchisor will designate specific or approved suppliers from whom such items can be purchased. If Franchisor designates a specific supplier for any items, Franchisee must purchase the items from the designated supplier. Franchisee acknowledges that Franchisor or its affiliates may be the sole designated supplier of some or all fixtures, leasehold improvements, equipment, or supplies that Franchisee is required to purchase.

F. Exterior and Interior Signs. All signs used at the Franchise Location, and in any wholesale displays, both exterior and interior, must conform to Franchisor's sign criteria at the time the signage or display is installed as to type, color, size, design, and location. All signs must be approved in writing by Franchisor prior to installation or display.

G. Specific and Approved Suppliers. If Franchisor designates an approved supplier for any items, but does not designate that supplier as the sole, specific provider for such items, then so long as the items purchased by Franchisee meet the exact specifications of Franchisor at the time of purchase, Franchisee may request approval for the purchase of such items from other sources by following the requirements specified in Paragraph IX.B., but Franchisor may deny such request for any reason. If Franchisor grants its approval to any variance in specification or in an approved supplier, which approval shall be left to the sole discretion of Franchisor, Franchisee shall remain responsible for any increased costs in such items, and in the design, construction, utilities, or installations necessitated by such substitutions. Franchisee acknowledges that Franchisor and its affiliates may be approved suppliers.

H. Upkeep and Maintenance. Upkeep, maintenance, and repair of the satellite store is the sole responsibility of Franchisee. Franchisee shall maintain pictures, equipment, decor, furnishings, fixtures, and all other tangible property in the Franchise Location in excellent condition and repair, and shall replace any of the satellite store's equipment or fixtures, which become obsolete or mechanically impaired to the extent that such equipment, fixtures, or displays no longer adequately perform the functions for which they were originally intended. Replacement equipment, fixtures, and displays shall be of the same type and quality as are being used in BREADSMITH stores being installed at the time replacement is required. All replacement pictures, decor, equipment, displays, and fixtures shall comply with Franchisor's requirements and specifications. Any fees payable to Franchisor in connection with maintenance services or repair of Franchisee's equipment, displays or other tangible personal property, or for the sale to Franchisee by Franchisor of spare parts, shall be due upon receipt of an invoice therefore, provided, however, any fees payable to Franchisor for special order spare parts shall be paid by Franchisee prior to Franchisor's placement of the order for such parts.

I. Indemnification of Franchisor. Franchisee is strictly responsible for the acts or omissions of its contractors regarding compliance with all specifications and requirements provided for by Franchisor, and Franchisor shall have no responsibility for such acts or omissions. Franchisor shall not be liable for any loss or damage arising from the design or plan of the satellite store, or any wholesale displays by reason of its approval of plans and specifications or otherwise. Franchisee shall indemnify Franchisor for any loss, cost, or expense, including attorneys' fees, that may be sustained by Franchisor because of the acts or omissions of Franchisee's contractors or arising out of the design or construction of the satellite store or any wholesale display units.

J. Remodeling. Franchisee shall be required to periodically make reasonable capital expenditures to remodel, modernize and re-decorate the Franchise Location so that the premises and wholesale displays reflect the current image intended by Franchisor to be portrayed by BREADSMITH facilities. All remodeling, modernization and redecoration of the Franchise Location must be done in accordance with the standards and specifications prescribed by Franchisor from time to time and with the prior written approval of Franchisor. All replacements

must conform to Franchisor's then-current quality standards and specifications and must be approved by Franchisor in writing. Franchisor may, but shall not be obligated to, inspect such work at any time to determine that the work is done in accordance with Franchisor's approved plans and specifications. In addition to the remodeling of the store that may be required at the time of renewal of this Agreement, Franchisor shall not require Franchisee to remodel, modernize and re-decorate the Franchise Location more than once during the initial term of the Franchise Agreement or more than once during any renewal term thereof. If Franchisee has complied with Franchisor's previous remodeling requirements, Franchisor shall not require Franchisee to remodel the Franchise Location during the last four (4) years of the term of this Agreement unless Franchisee elects to renew the Franchise.

VI. TRAINING, PRE-OPENING, AND OPENING ON-SITE ASSISTANCE, AND INSPECTIONS

A. Initial On-site Assistance and Additional Assistance. Upon execution of this Agreement, Franchisor and Franchisee will select a target opening date for the satellite store. Provided this date does not change, or if it is changed, Franchisee notifies Franchisor of the new date and Franchisor has a crew available to assist Franchisee with the opening of the satellite store, Franchisor will provide Franchisee with opening assistance for a period of up to five (5) days (the exact number of days to be determined by Franchisor in its sole discretion) ("Initial On-site Assistance Period"). While the Initial On-site Assistance Period typically commences on the opening day of the satellite store to customers for business. This assistance includes assistance from one (1) member of Franchisor's staff. Franchisor will provide such staff at its expense during the Initial On-site Assistance Period. If Franchisee requests, and if Franchisor agrees and has personnel available, Franchisor may provide additional on-site assistance following the Initial On-site Assistance Period. All costs, including lodging and meals, and per diem charges that may be incurred by Franchisor's personnel providing such additional on-site assistance shall be paid by Franchisee. The training and satellite store opening during the Initial On-site Assistance Period must not occur during the week of Easter, Memorial Day, 4th of July, Labor Day, the week before and of the Breadsmith Conference, or during the period of the third (3rd) week of November through January 1st.

B. Manager Training. If Franchisee does not plan to have direct personal daily operating activities in the satellite store on an average of at least thirty (30) hours per week, Franchisee must designate a manager to supervise its store, and immediately notify Franchisor of the designation of the manager. Franchisor may require the designated manager to undergo initial training at Franchisee's expense.

C. Requesting Additional Training. If Franchisee desires additional training for itself or its employees, Franchisee may request additional training from time to time and Franchisor may choose, but is not required, to provide such training to Franchisee, or Franchisee's manager, at such times and places and for such duration as Franchisor deems necessary; provided that Franchisee is required to pay the cost of such additional instruction and training, including the cost of transportation, meals, lodging, and the current charge for the services of Franchisor's representative, which costs shall be paid in advance.

D. Required Additional Training. Franchisor, in its sole discretion, may require any person or persons employed in a managerial or other responsible capacity by Franchisee to complete additional training designated by Franchisor, subject to the required costs of training additional persons. Franchisee specifically agrees that only persons trained by Franchisor, or Franchisor's designated trainers, shall have overall responsibility for the operation of the satellite store and that Franchisee will send each manager to Franchisor for training if so requested by Franchisor, and will pay Franchisor the charges imposed by Franchisor for such training.

E. Inspection. Franchisor will inspect the Franchise Location from time to time to ensure uniformity and quality control. Franchisor's personnel or designated agent shall have the right to enter the satellite store at any reasonable time and without prior notice to Franchisee for the purpose of examination, conferences with Franchisee or its employees, inspection of operation and testing of products and items sold in the satellite store, auditing, and all other purposes connected to determining and ensuring that the satellite store is being operated in accordance with the terms of this Agreement, the mandatory provisions of Franchisor's Confidential Manuals, , and other applicable rules. Franchisee will allow Franchisor's personnel or representatives on the satellite store premises to monitor the operation of the cash registers in the satellite store for such periods of time as Franchisor may determine to be necessary at no expense to Franchisee. Franchisee agrees to remedy any defects, deficiencies, or unsatisfactory conditions discovered at the satellite store by Franchisor's personnel immediately upon being advised of same.

VII. FRANCHISE OPERATION

In order to protect the goodwill and trade practices of Franchisor, it is agreed as follows:

A. Standards of Quality. Franchisor has developed and shall continue to develop certain baked goods and other food and retail products which will be prepared by or for Franchisee according to Franchisor's proprietary recipes and formulas. Franchisor has also developed and shall continue to develop standards and specifications for the preparation of baked goods and other food and retail products, ingredients, spices, mixes, materials and/or supplies incorporated in or used in the preparation, baking, serving and/or packaging of baked goods and other food and retail products. Standards and specifications shall be established at Franchisor's sole discretion, and may be modified from time to time by Franchisor, without limit.

Franchisor shall at all times during the term of this Agreement determine the standards of quality, service, and advertising for the satellite store. Franchisor has developed and continues to develop a proprietary recipe program that it will provide for use by Franchisee in the operation of its satellite store. Franchisee shall not sell any product, service, or other item at the satellite store or otherwise, that has not been approved in writing by Franchisor. All menu items shall be made in strict compliance with Franchisor's specifications, recipes, standards (wholesale and retail) and requirements as from time to time prescribed by Franchisor. Franchisee shall submit to Franchisor for approval all contemplated menu changes and all additions to or deletions from the items sold in the satellite store. Franchisor may approve or deny any such submissions in Franchisor's sole discretion. Franchisee agrees not to make such changes without the prior written consent of Franchisor.

B. Confidential Manuals. The mandatory provisions of Franchisor's manuals, guides, guidelines, policies, procedures, handbooks, and binders, whether in electronic, print, or any other form, developed from time to time by Franchisor, shall govern the operation of Franchisee's business. (For purposes of this Agreement, such manuals, guides, guidelines, policies, procedures, handbooks and binders developed from time to time by Franchisor are referred to herein collectively as the "Confidential Manuals.") Changes in the provisions and in other recommended standards, specifications, and procedures in the Confidential Manuals may be made by Franchisor as deemed advisable by Franchisor. Franchisee will operate its business in accordance with the mandatory standards, specifications, and procedures set forth in the Confidential Manuals, will comply with any changes in such mandatory standards, specifications, and procedures as may become necessary and desirable as determined by Franchisor in its sole discretion, and Franchisee will accept as reasonable any modifications, revisions, and additions to the Confidential Manuals which Franchisor believes to be necessary. Franchisor shall loan to Franchisee an electronic or print copy of the Confidential Manuals within a reasonable time after signing this Agreement. Franchisee shall retain the Confidential Manuals on its satellite store premises and will keep such Manuals up to date by inserting any supplements and amendments provided by Franchisor. Franchisee shall not make any copies of the Confidential Manuals, and shall return the Confidential Manuals to Franchisor immediately upon termination or expiration of this Agreement. Franchisor may also add additional manuals from time to time which shall be deemed to be included in the definition of "Confidential Manuals."

Franchisee acknowledges and agrees that all mandatory specifications, standards and operating procedures, and all minimum inventory standards, prescribed from time to time by Franchisor in the Confidential Manuals or otherwise communicated to Franchisee in writing, shall constitute binding obligations on the part of Franchisee as if fully set forth herein, and any failure by Franchisee to adhere to such mandatory specifications, standards and operating procedures shall constitute a material default and be grounds for termination of this Agreement by Franchisor, as provided herein. Franchisee further acknowledges that the Confidential Manuals are designed to protect Franchisor's standards, systems, names and marks, and not to control the day-to-day operation of Franchisee's BREADSMITH satellite store.

Franchisor shall also loan to Franchisee an electronic or print copy of certain cookbooks and recipe books within a reasonable time after signing this Agreement. Franchisee shall retain these cookbooks and recipes on the satellite store premises and will keep such cookbooks and recipes up to date by inserting any supplements and amendments provided by Franchisor. Franchisee shall not make any copies of the cookbooks and recipes, and shall return the cookbooks and recipes to Franchisor immediately upon termination or expiration of this Agreement. Changes in the cookbooks and recipes may be made by Franchisor as deemed advisable by Franchisor. Franchisee acknowledges and agrees that the information contained in the cookbooks and recipes is confidential and proprietary to Franchisor. Franchisee shall bake its products in strict adherence to the cookbooks and recipes and any failure by Franchisee to adhere to such cookbooks and recipes shall constitute grounds for termination of this Agreement by Franchisor, as provided herein. Franchisee further acknowledges that these cookbooks and recipes are designed to protect Franchisor's standards, systems, names and marks, and not to control the day-to-day operation of Franchisee's BREADSMITH satellite store. All references herein to this Agreement shall include all mandatory specifications, standards, and operating

procedures contained in the Confidential Manuals and shall also include the information contained in any cookbooks or recipes loaned by Franchisor to Franchisee.

C. Trade Practices. Franchisee agrees that Franchisor has the sole rights to the trade practices used in the BREADSMITH system and that no goodwill associated with any of the trade practices shall inure to Franchisee. It is further agreed that the items of the trade practices constitute trade secrets of Franchisor which are revealed to Franchisee in confidence, and Franchisee will not, at any time during the term of this Agreement, or any time thereafter, use or attempt to use the trade practices in connection with any other entity or business in which Franchisee has an interest, direct or indirect, nor shall Franchisee disclose, duplicate, reveal, sell, or sublicense the trade practices or any part thereof or in any way transfer any rights in the trade practices except as authorized by Franchisor.

D. Names and Marks. Franchisee, in conducting its BREADSMITH satellite store, shall use all trade names, trademarks, and service marks, in such art form and in such logo form, as specified by Franchisor. Franchisee acquires no rights in, and shall not under any circumstances use the trade names, trademarks or service marks outside the Designated Territory. Franchisee further acknowledges that Franchisor may, at Franchisor's sole discretion, modify, substitute or discontinue use of any trade names, trademarks, service marks, logos, domain names, or other commercial names or symbols (hereinafter called "Names"), or use one or more additional or substituted Names, and Franchisee agrees to operate under such Names as directed by Franchisor, in Franchisor's discretion, and to immediately cease using such Names when directed by Franchisor in writing. Franchisor shall have no obligation to reimburse Franchisee for any expenditures made by Franchisee to modify or discontinue the use of any Names, or to adopt additional Names, including, without limitation, any expenditures relating to advertising or promotional materials, or to compensate Franchisee for any alleged goodwill related to the discontinued Names.

Franchisee shall not establish its own website, webpage, or social media account for the business or any other on-line usage that represents the business without prior written approval from Franchisor. Franchisor can revoke the approval for Franchisee's website, social media account, or any other on-line usage, or require specific conditions or content, at any time for any reason.

If it becomes advisable at any time in the discretion of Franchisor to modify or discontinue use of any Names or to use one or more additional or substitute Names, Franchisee is obligated to abide by any instruction from Franchisor to do so, and Franchisor is under no obligation to reimburse Franchisee for any expenditures, including, without limitation, any expenditures relating to advertising or promotional materials or to compensate Franchisee for any alleged goodwill related to the discontinued Names. Franchisee agrees not to contest Franchisor's title to any Names.

Franchisee may not use the Names in connection with the operation of a business at any location other than its BREADSMITH satellite store, and it shall not use the Names in connection with the name of any corporation, partnership or limited liability company involved in this business. Franchisee acknowledges it has no ownership, title or interest in the Names other than that granted herein for use in operation of its business in compliance with this Agreement, that Franchisor is the sole owner of the Names, and that any goodwill generated by the use of the

Names, including any customer lists, shall belong to Franchisor. Franchisee shall not infringe upon or contest the validity of the Names or assist any other person in infringing upon or contesting the validity of the Names.

Franchisee shall notify Franchisor immediately in writing of any infringement of or challenge to Franchisee's use of any Names, or claim by any person of any right in any of the Names, or in any similar trade name, trademark, or service mark. Franchisee shall not communicate with anyone other than Franchisor and its 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 or administrative proceeding related to the Names, including the right to settle any such actions or proceedings.

E. Maintenance of Exterior and Interior Decor. Franchisee shall at all times maintain the interior and exterior of its satellite store and the surrounding area, in the highest degree of cleanliness, orderliness, and sanitation, and shall also comply with the requirements of the Confidential Manuals regarding the upkeep and decor of the satellite store. Franchisee shall immediately comply with all orders and regulations of applicable state and local health and safety administrations. Franchisee shall repair, refinish, or paint the exterior and the interior of the Franchise Location at its own expense at such times as reasonably directed by Franchisor.

F. Hours of Operation. Franchisee shall operate its satellite store a minimum of six (6) days per week during hours established by Franchisee and approved in writing by Franchisor. Franchisor shall not unreasonably withhold its approval of set hours of operation.

G. Satellite Store Supervision. Either the franchisee or a trained designee shall be either working at or immediately available to others working at the satellite store.

H. Franchisee's Efforts. Franchisee shall devote its full time efforts to the operation of its franchised business throughout the term of this Agreement. Notwithstanding the foregoing, Franchisee may designate a manager to supervise the satellite store, provided Franchisee complies with the provisions of Paragraph VI.D with respect to the training of such manager. Franchisee shall exert its best efforts to establish, maintain, and increase sales of food and other products approved for sale by Franchisor under the BREADSMITH trademarks, service marks, and trade names, and shall at all times maintain a supply of such food and other products to meet public demand.

I. Personnel. All personnel employed by Franchisee shall maintain such standards of sanitation, cleanliness, and demeanor as shall be established by Franchisor. All personnel performing managerial or supervisory functions, all personnel receiving special training and instruction, and all persons employed by Franchisee having access to any of Franchisor's trade practices or other Confidential Information shall execute a confidentiality, non-competition, and non-solicitation agreement in the form prescribed by Franchisor, pursuant to which such personnel shall agree not to work for any competitor of Franchisor or Franchisee during the period of their employment and for a period of two (2) years following the conclusion of such employment within five (5) miles of any BREADSMITH location, whether operated by Franchisor or any franchisee. Such agreement shall name Franchisor as a third party beneficiary of the agreement with the right to enforce its terms. Franchisee shall, at its sole expense and upon written order of Franchisor at

Franchisor's sole discretion, enforce such agreement where valid under applicable law. Franchisee acknowledges that any form of confidentiality, non-competition, and non-solicitation agreement that Franchisor requires Franchisee to use, provides to Franchisee, or regulates the terms of may or may not be enforceable in a particular jurisdiction. Franchisee agrees that Franchisee is solely responsible for obtaining Franchisee's own professional advice with respect to the adequacy of the terms and provisions of any confidentiality and non-compete agreement that Franchisee's employees, agents, and independent contractors sign.

J. Point of Sale System. Franchisee shall record all satellite store sales in a point of sale system ("POS") specified by Franchisor. Franchisee shall purchase the POS for its satellite store from the manufacturer(s) or seller(s) designated by Franchisor (which may include Franchisor or its affiliate), and must purchase all hardware, software, licenses, and equipment associated with the POS (together with the POS, the "POS System") that Franchisor specifies. Franchisor may, at Franchisor's sole discretion, require the use of a new, updated POS or POS System (or any component of the POS System), and Franchisee agrees to purchase such POS or POS System within sixty (60) days of notice from Franchisor of the new requirements. All financial records must be kept by Franchisee for at least five (5) years following the end of the fiscal year to which they relate.

K. Sale of Franchisor's Products. Franchisee shall not sell, dispense, give away, or otherwise provide Franchisor's products or services bearing Franchisor's trademarks, trade names, or service marks, except by means of retail sales in the satellite store, unless specific written approval from Franchisor is obtained, which approval can be withheld or withdrawn for any reason. Franchisee will at all times carry a representative sample of the various products prescribed by Franchisor as may be more specifically detailed by Franchisor for a satellite store, including all designated daily breads. Franchisee will at all times maintain minimum inventories of these products to satisfy the reasonable demands of its customers throughout the day. Franchisee will not carry or sell any product or service that has not been approved in writing by Franchisor.

L. Franchisor's Employees. Franchisee shall not interfere with the employees or agents of Franchisor or other franchisees in the performance of such employees' or agents' duties, and Franchisee further agrees that Franchisee will not employ any of Franchisor's or other Franchisee's employees or agents, or employees or agents of Franchisor's parent or affiliate, for a period of at least one (1) year following the separation of any such employee from employment by another franchisee, Franchisor, Franchisor's parent or affiliate, or the termination of an agency relationship with Franchisor or its parent or affiliate, without the written approval of the franchisee or Franchisor, as the case may be.

M. Franchisee's Cooperation. Franchisee shall cooperate with Franchisor in taking any action or refraining from taking any action which, in the judgment of Franchisor, is necessary or desirable to promote and enhance the quality of the products offered in the satellite store, the service provided by the satellite store, or the image of the satellite store in the community. Franchisee shall attend all meetings and training sessions as Franchisor deems mandatory and as Franchisor deems in the best interest of the system as a whole. Except to the extent Franchisor unilaterally offers to pay all or part of the cost of attendance, the cost of attending said meetings

shall be borne by Franchisee, including the cost of transportation, meals, lodging, and a reasonable charge for the services of Franchisor's training representative.

N. Menu Format. A standard menu format is required by Franchisor and shall be used by Franchisee in its satellite store. Franchisor may change the standard menu format, including daily breads, at any time and from time to time. No changes, additions, or deletions in the menu format to be used at the satellite store or in bulk or wholesale accounts shall be adopted by Franchisee unless first approved in writing by Franchisor. Notwithstanding the foregoing, prices that appear on the menus shall be established exclusively by Franchisee.

Franchisee also acknowledges and agrees that if Franchisor requires Franchisee to offer new or substitute products or services not currently offered at BREADSMITH satellite stores, Franchisee agrees to offer such products or services in strict compliance with Franchisor's specifications, standards and procedures prescribed in writing or in the Confidential Manuals and to diligently pursue obtaining any permits and take such actions (including, without limitation, constructing improvements and acquiring fixtures, furnishings, equipment, supplies, and materials) required to offer such products and/or services. Franchisee acknowledges and understands that such modifications to the services and/or products to be offered in the satellite store may require Franchisee to incur additional costs and expenses to operate the satellite store, including, without limitation, the purchase and/or lease of additional or substitute furnishings, fixtures, vehicles or equipment, and Franchisee agrees to incur such expenses in connection therewith.

Franchisee acknowledges that Franchisor may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to company-owned, affiliate-owned, and franchised BREADSMITH satellite stores. Franchisee agrees that its satellite store will participate in such "mystery shopper" programs, as prescribed and required by Franchisor, and as may be more fully described in the Confidential Manuals or in writing by Franchisor. Franchisee agrees to timely pay the then-current charges imposed by such evaluation service for its satellite store's participation in such program.

O. Satellite Store Compliance with Laws, Standards, and Procedures. Franchisee shall operate the satellite store in strict compliance with all applicable laws, rules, and regulations and in strict compliance with the standards and procedures established by Franchisor. All costs that may be incurred in order to maintain and implement such standards and procedures shall be borne by Franchisee at its sole expense. Because complete uniformity under varying conditions may not be possible or practical, Franchisor reserves the right, at Franchisor's sole discretion, to vary standards and procedures for any franchisee based on any conditions that Franchisor deems to be of importance to such franchisee's business. Franchisee accepts the necessity of such variances in special cases, and although Franchisee may request a similar variance if its condition is similar, no variance to one franchisee shall ever imply or require a variance of standards or procedures to any other franchisee.

Franchisee shall obtain all licenses required for the full and proper conduct of its business, including, without limitation, building and other required construction permits, fictitious name registrations, sales tax permits, health department registrations, and fire clearances. Copies of all subsequent inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement which indicate Franchisee's failure to meet or maintain

the highest governmental standards or less than full compliance with any applicable law, rule, or regulation shall be mailed to Franchisor within three (3) days of Franchisee's receipt thereof.

P. Uniforms and Attire. Franchisor shall be entitled to prescribe standard uniforms and attire for Franchisee, all satellite store personnel of Franchisee in order to enhance Franchisor's product and format. Franchisee may obtain such uniforms and attire from any manufacturer or distributor, so long as written approval is received from Franchisor, which approval will be granted as long as the uniforms are of a reasonable quality and in strict accordance with Franchisor's design and other specifications.

Q. Vending Machines. No vending machines, amusement devices, video machines, or other devices of any nature, except as approved by Franchisor, whether or not coin operated, shall be installed or used at the satellite store.

R. Bulk and Wholesale Sales. Franchisee may sell breads, and those foods and other products designated by Franchisor to bulk and wholesale accounts within the Designated Territory as long as the accounts are serviced by the Primary Store.

S. Charitable Events. An important part of BREADSMITH's mission statement is to serve the local communities in which BREADSMITH satellite stores operate. Thus, Franchisee is required to conduct at least two (2) charitable promotional events per year in the Designated Territory. Each such event must receive the prior written approval of Franchisor. Franchisee agrees to submit details of results of such events on a form provided by Franchisor, including the nature of the event, charity served, use of proceeds, amounts raised and any other newsworthy facts within ten (10) days following the event. Franchisor has the right to publish the submitted details in a newsletter that may be distributed to other BREADSMITH stores and the media.

T. Market Research and Test Programs. Franchisee agrees to participate in any market research and test programs required or approved by Franchisor concerning various aspects of Franchisee's business, including, without limitation, procedures, systems, techniques, furnishings, fixtures, equipment, ingredients, signs, labels, trade dress, logos, packaging, display racks, freshness dating, supplies, coupons, promotions, marketing materials and strategies, merchandising, and new menu items and services. Franchisee agrees, if requested by Franchisor, to participate in Franchisor's customer service surveys and market research programs.

U. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and other changes as we deem appropriate. This right includes, but is not limited to, the right to introduce new products and services. You must comply with these modifications, additions or rescissions at your expense, subject to the express limitations listed in this Agreement.

You must operate your stores in strict compliance with all applicable laws and with the standard procedures, policies, rules and regulations established by us and incorporated herein or in the Confidential Manuals or in any system bulletins or other publications that are distributed to franchisees from time to time. Such standard procedures, policies, rules and regulations established by us may be revised from time to time as circumstances warrant, and you must

comply with all such procedures as they exists from time to time as though they were specifically listed in this Agreement and when incorporated in a system bulletin or other written notice to franchisees, the same is incorporated herein by reference. These standard procedures, policies, rules, and regulations may include operational matters, advertising or marketing matters, employee matters, membership issues, relationships between you and other franchisees, accounting issues, and any other issues that we believe, in our business judgment, are required to generally benefit the Breadsmith System and its franchisees.

VIII. NATIONAL AND REGIONAL ACCOUNTS

A. Definition. For purposes of this Agreement, a "National or Regional Account" shall be considered a prospective bulk or wholesale account that has locations both inside and outside the Designated Territory.

B. Franchisor Solicitation. Franchisor may from time to time solicit National and Regional Accounts for distribution of BREADSMITH products. If Franchisor negotiates an agreement to sell fresh breads, foods, or other products to a National or Regional Account that has locations within the Designated Territory, Franchisor will give Franchisee the first right to sell the fresh breads, foods, or other products, as determined by Franchisor, from the Primary Store to the outlets of that account in the Designated Territory on the terms negotiated for such account by Franchisor, provided Franchisee is current in all of its payment, financial, and reporting obligations to Franchisor, and is not in material breach of any of its other obligations under this Agreement or under any other agreement with Franchisor. If Franchisee has not met these requirements, or if Franchisee does not choose to service the account, or does not begin servicing the account within fifteen (15) days of notification from Franchisor, then Franchisor shall have the right to itself service the outlets of that account in the Designated Territory, or appoint any other person to do so, without compensation to Franchisee. If Franchisee begins servicing a National or Regional Account from the Primary Store, whether within the Designated Territory or outside the Designated Territory, but fails to comply with any provision of this Agreement with respect to the servicing of bulk or wholesale accounts, or fails to comply with any other rule, regulation or standard adopted by Franchisor (including standards that may be unique to the particular account), and does not cure such failure within fifteen (15) days after notification from Franchisor, then Franchisor may immediately terminate Franchisee's right to service the account and Franchisor may itself service the account, or appoint any other person to do so. In addition, if the account itself complains to Franchisor concerning Franchisee's servicing of the account, or customers of the account complain about the quality of BREADSMITH products sold at the account, Franchisor shall have the right to immediately terminate Franchisee's right to service the account and to thereafter service the account itself or appoint another person to do so, without compensation to Franchisee. In the event of complaints by the account concerning Franchisee's servicing of the account, or by customers concerning the quality of BREADSMITH products sold at the account, Franchisor shall attempt to notify Franchisee of such complaints, but shall not be required to delay in exercising the right to have Franchisee discontinue servicing the account if Franchisor, in its sole discretion, determines that such delay could jeopardize Franchisor's ability or the ability of other of its franchisees to service other locations of such account, or the goodwill associated with Franchisor's products. If Franchisee is notified that it is to discontinue servicing an account for any reason:

1. Franchisor or its designee shall have the option, but not the obligation, to purchase any displays, fixtures, or signage that are on location at the account at a price equal to the depreciated cost thereof, based upon a straight line, sixty (60) month amortization period. If Franchisor exercises this right, then Franchisee shall coordinate with Franchisor to remove its products, display racks and signage, if any, in a way that allows another party to begin servicing the account, without interruption of service to the account. If Franchisee fails to remove its products and display racks and signage, if any, from the account, or to otherwise cooperate with Franchisor in this transition, Franchisor is hereby authorized to remove such products, equipment, and signage and to deliver them to Franchisee's satellite store, and Franchisee shall reimburse Franchisor for its costs of doing so; and

2. Franchisee shall take no action against the National or Regional Account that will or might jeopardize the relationship between Franchisor or its other franchisees, and such account.

IX. SUPPLIERS OF FOOD PRODUCTS, INGREDIENTS AND SUPPLIES

A. Food Products and Supplies. All food products, ingredients and supplies used in Franchisee's business must meet the exact specifications of Franchisor, which specifications may be modified from time to time. Franchisee shall be required to purchase such items from manufacturers and/or suppliers approved by Franchisor. Franchisee may not alter any product, substitute unbranded for branded products, or utilize substitute ingredients for any item.

Franchisor shall not be liable to Franchisee for the failure of any recommended supplier to timely deliver any item to Franchisee, including items referred to in other paragraphs of this Agreement, unless such failure is caused by affirmative actions of Franchisor or is within Franchisor's sole control. Franchisor or its affiliates may be approved suppliers or the sole approved supplier of any item and may sell such items at a profit.

B. Franchisee's Recommended Suppliers. If Franchisee desires to utilize a manufacturer or supplier other than one recommended by Franchisor for any food products, ingredients, or supplies, Franchisee must first obtain the written consent of Franchisor. In requesting such consent, Franchisee shall pay to Franchisor a fee in an amount set from time to time by Franchisor and provide to Franchisor the name of the proposed supplier, and any information Franchisor may request from such supplier, including but not limited to samples of products proposed to be supplied, and information about the supplier's financial condition and ability to provide such items. If Franchisee provides all items and information requested by Franchisor, Franchisor will use reasonable efforts to test and evaluate such sources and shall approve or disapprove such sources based on Franchisor's tests and evaluations and upon the following conditions:

1. Franchisee shall submit a written request to Franchisor for approval of the supplier.

2. The supplier shall demonstrate to Franchisor's reasonable satisfaction that it is able to supply a commodity or product to Franchisee meeting Franchisor's specifications for such commodity.

3. The supplier shall demonstrate to Franchisor's reasonable satisfaction that the supplier is of good standing in the business community with respect to its financial capabilities and the reputation and reliability of its product or service.

Nothing contained herein shall be deemed to require Franchisor to approve an inordinate number of suppliers of a given item, which, in the reasonable judgment of Franchisor, would result in higher costs to Franchisor's franchisees or prevent effective and economical supervision of suppliers by Franchisor. Franchisor shall not be responsible for any action or inaction of any supplier recommended by any franchisee. The fee for the investigation shall be due and payable upon receipt of the invoice for the investigation, and in any event, prior to Franchisor's commencement of its investigation.

C. Effect of Approval. Franchisor's approval of any supplier shall not be considered an endorsement or warranty of that supplier or its products, nor a representation that the supplier will always be able to meet the needs of Franchisee.

D. Trade Accounts. Franchisee agrees to maintain its trade accounts in a current status and to seek to resolve any disputes with trade suppliers promptly. Should Franchisee not so maintain its trade accounts, Franchisor may, but shall not be required to, pay any and all such accounts on behalf of Franchisee, in which event Franchisee agrees to immediately repay Franchisor therefore. Franchisee shall provide Franchisor with the names, addresses, and telephone numbers of all such trade suppliers promptly upon Franchisor's request.

X. INSURANCE AND HOLD HARMLESS

Throughout the term of this Agreement, Franchisee shall maintain in effect at all times a policy or policies of insurance with an "A" (or better) rated insurance carrier, naming Franchisor as an additional insured on the face of each policy at Franchisee's sole cost and expense as follows:

A. Bodily Injury and Property Damage.

Public liability in no less than Two Million Dollars ($2,000,000) combined single limits for bodily injury and property damage, which amounts may be increased upon receipt of written notice from Franchisor.

B. Workers' Compensation. Workers' Compensation insurance as required by state law.

C. Auto Insurance. Comprehensive and collision auto liability insurance, on vehicles being used by the franchised business, with deductibles not to exceed One Thousand Dollars ($1,000) and in no instance less than One Million Dollars ($1,000,000) combined single limits for bodily injury and property damage which amounts may be changed on written notice of Franchisor.

D. Business Interruption Insurance. Business interruption insurance in a sufficient amount to cover profit margins, maintenance of competent and desirable personnel, and fixed expenses including a reasonable operator's fee, for one hundred eighty (180) days.

E. Risk Replacement Coverages. All risk replacement cost coverages.

Franchisee shall promptly notify Franchisor of all claims against Franchisee and/or Franchisor, and all claims made under said policies of insurance and shall deliver to Franchisor certificates evidencing that such insurance is in full force and effect within thirty (30) days after signing this Agreement and each year thereafter. Such insurance certificate shall contain a statement that the certificate shall not be modified or canceled without thirty (30) days' prior written notice to Franchisee and Franchisor.

XI. ADVERTISING CONTENT

Franchisor may develop, at its sole discretion, advertising, marketing, and promotional campaign content and/or materials ("Ad Content") which Franchisor may make available to Franchisee and/or may require Franchisee to use in promoting Franchisee's business consistent with policies and rules established by Franchisor. Franchisor may charge Franchisee for Ad Content and Franchisee agrees to pay for Ad Content consistent with Franchisor's then-current policies. Franchisor shall be under no obligation to purchase or place any advertising for BREADSMITH stores; it is Franchisee's obligation to advertise and promote its store.

Franchisor may permit Franchisee to create its own Ad Content. If Franchisor permits Franchisee to do so, Franchisee must first obtain written approval from Franchisor, which Franchisor may grant or deny in Franchisor's sole discretion, prior to publication or use. Franchisor may charge a fee for reviewing proposed Ad Content. Franchisee shall, at its sole expense, discontinue using any Ad Content immediately upon notice from Franchisor. Franchisor may determine, in its sole discretion, to modify its advertising materials, advertising methods, or image, from time to time and Franchisee agrees to promptly make any changes requested by Franchisor. Any sign, material, or notice of any type displayed in the satellite store shall be displayed and produced in a professional manner in keeping with Franchisor's top-quality image. In the event of a breach of this Paragraph, Franchisor shall have the right to unilaterally terminate or remove any unauthorized material at the expense of Franchisee.

XII. FRANCHISEE LOCAL ADVERTISING

A. Local Satellite Store Promotion. Franchisor may, in its sole discretion, require Franchisee to spend up to two percent (2%) of its Gross Receipts on local promotion to enhance the reputation of its business within the Designated Territory. All local promotion shall be in effect within thirty (30) days after the satellite store opening. On January 15th of each year during the term of this Agreement and at such other time or times as Franchisor may require, Franchisee shall provide Franchisor with copies of all statements, invoices, and checks issued during the preceding year by Franchisee evidencing the expenditure of sums for local public relations, advertising, and promotion purposes.

All media use, advertising, publicity, signs, decorations, equipment or other materials employing, in any way, the word "BREADSMITH" or any derivative thereof, or any of Franchisor's logos, service marks or trade names, shall be submitted to Franchisor for written approval prior to publication or use. "Media use" as used herein includes, but is not limited to, printed publications, video, radio, internet, social media, and personalized products such as t-shirts.

Franchisor may provide specific guidelines for advertising and promotion initiated by individual franchisees or groups of franchisees on a cooperative basis and reserves the right to disapprove any advertising or promotion which, in Franchisor's sole opinion, is not in the best interest of the franchise system.

B. Marketing. Franchisee is required to participate in all marketing programs designated by Franchisor from time to time, including without limitation all loyalty, gift card, ordering, online ordering, email and/or social media campaign, and related marketing programs, in accordance with all terms and conditions of such programs. Franchisee agrees to pay all fees and costs for such programs as and when due, and agrees to execute any agreements necessary to participate in such programs. Franchisor may amend, modify, or terminate any marketing program at any time in its sole and absolute discretion.

C. Cooperative Advertising. Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor in any and all sales, public relations, advertising, cooperative purchasing programs, or promotional programs calling for the cooperation of multiple franchisees and shall further cooperate in such other programs as may be designated by Franchisor. Franchisee shall not, however, be required to spend more than two percent (2%) of its annual Gross Receipts on all local advertising, including such cooperative advertising programs. Franchisee shall display Franchisor's flyers aimed at recruiting new franchisees on a sales counter or bulletin board in the customer sales area of Franchisee's satellite store.

XIII. INDEMNIFICATION

Franchisee agrees to defend at its own cost and to indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees, and agents, from and against any and all loss, costs, expenses (including attorneys' fees, expert fees, and court costs), damages, and liabilities arising out of Franchisee's or Franchisee's employees' or agents' alleged negligence, breach of contract, or other civil or criminal wrong, resulting directly or indirectly from or pertaining to the use, condition, construction, equipping, decorating, maintenance, or operation of the satellite store, including the preparation and sale of any product made in or sold from the satellite store or in any wholesale account, and including any matter in which Franchisor is deemed liable to any person, entity, or government entity as a joint employer. Such loss, claims, costs, expenses, damages, and liabilities shall include, without limitation, those arising from latent or other defects in the satellite store, whether or not discoverable by Franchisor, and those arising from the alleged death or injury of any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm, or corporation. Franchisee further agrees to indemnify and reimburse Franchisor for all costs, expenses (including attorneys' fees, expert fees, and court costs), damages, and liabilities arising out of misuse, misappropriation, or improper dissemination of Confidential Information by any current

or former owner, manager, employee, agent, or affiliate of Franchisee, or any other entity or person who received confidential information from any of the above persons or entities.

XIV. ROYALTY FEES, TAXES, AND ADVANCES BY FRANCHISOR

In addition to all other payments provided for in this Agreement, Franchisee shall pay Franchisor promptly when due the following:

A. Royalty Fee. A non-refundable royalty fee equal to the royalty fee percentage paid by the Primary Store multiplied by Franchisee's Gross Receipts from all retail sales of items baked, sold, served, or produced on the satellite store's premises (including retail deliveries of such items and retail shipments), revenue from non-baked items such as tuition or fees for classes, items baked or produced at another location, excluding prepackaged non-bakery items, and breakage from unused gift cards and similar discharged liabilities for which remuneration was previously received (if applicable and permitted by Franchisor to be kept by Franchisee). "Gross Receipts" shall mean all revenues and remuneration collected by Franchisee, excluding bad checks, rebates, promotional sales coupons, refunds to customers, or the amount of any sales tax or other similar taxes that Franchisee might be required to and does collect from customers to be paid to any federal, state, or local taxing authority. Any other subtractions from Gross Receipts, including but not limited to rebates, promotional sales coupons, and discounts must be pre-approved by Franchisor.

Royalties shall be due on all sales recorded by Franchisee, whether or not collected, and regardless where delivery or performance is made.

If any governmental authority imposes any tax or other fee with respect to royalties or other items owed to Franchisor under this Agreement, Franchisee shall pay to Franchisor the amount of such tax or fee as an additional royalty due under this Agreement.

All royalties due under this Agreement shall be paid to Franchisor by the tenth (10th) day of each month with respect to sales in the preceding calendar month. All such payments shall be made by electronic funds transfer as set forth in Paragraph XV.B. of this Agreement.

B. Taxes. The amount of all sales taxes, use taxes, and similar taxes imposed upon or required to be collected or paid on account of goods or services furnished to Franchisee by Franchisor, whether such goods or services are furnished by sale, lease, or otherwise.

C. Advances by Franchisor. All amounts, if any, advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated on behalf of Franchisee.

XV. REPORTING, PAYMENTS AND FALSE STATEMENTS

A. Reporting Obligations of Franchisee. During the term of this Agreement, Franchisee shall deliver to Franchisor:

1. By the tenth (10th) day of each month, a monthly statement of Gross Receipts and other information required by Franchisor for the preceding month;

2. On or before the twenty-fifth (25th) day of each month, a monthly balance sheet and profit and loss statement for the previous month reflecting the financial condition of the satellite store as of the last day of the previous month; and

3. Within ninety (90) days following the close of Franchisee's fiscal year, an annual balance sheet and statement of profit and loss, which statement shall show the financial condition of the business at the end of the fiscal year.

All financial information and reports shall be delivered in the manner and in the form specified by Franchisor. All balance sheets and profit and loss statements shall also be prepared in accordance with generally accepted accounting principles and shall be accompanied by a written certification of Franchisee that the same are true and correct. Any intentionally false statements in these or any other reports provided to Franchisor shall be grounds for Franchisor to terminate this Agreement.

B. Electronic Funds Transfer. Unless otherwise instructed in writing by Franchisor, Franchisee shall make all payments due to Franchisor (whether under this Agreement or otherwise) by electronic-funds transfer or other similar means. Franchisee shall comply with procedures specified by Franchisor in this Paragraph and the Confidential Manuals, and perform such acts and deliver and execute such documents as may be necessary to assist in or accomplish payment by the method described in this Paragraph. Specifically, but without limiting the above, Franchisee shall give Franchisor authorization, in the form prescribed by Franchisor, for direct debits from Franchisee's business bank operating account. Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of royalty and any other amounts payable under this Agreement and any late payment charges due thereon.

1. Royalties. On or before the tenth (10th) day of each month, Franchisee shall report to Franchisor by fax or e-mail, the true and correct Gross Receipts of the Franchisee for the immediately preceding month. Franchisee shall ensure that all funds due are available to Franchisor for withdrawal by electronic transfer no later than 10:00 a.m. central time on the tenth (10th) day of each month, or if the tenth (10th) day is not a banking business day, then by 10:00 a.m. central time on the next banking business day. The amount actually transferred from Franchisee's accounts shall be based upon the monthly Gross Receipts indicated by the POS System or on Franchisee's reports to Franchisor as required hereunder. If Franchisee has not reported the monthly Gross Receipts to Franchisor for any reporting period as required above, then Franchisor shall be authorized to debit Franchisee's account in an amount equal to one hundred twenty percent (120%) of the fees transferred from Franchisee's account for the last reporting period for which a report of monthly Gross Receipts was provided to Franchisor. Franchisor may also debit Franchisee's account in the nonrefundable amount of $100 for administrative costs. If the direct debit does not go through due to something within the Franchisee's control (such as insignificant funds) the Franchisor may also debit Franchisee's account in the nonrefundable amount of $100 for administrative costs. Franchisee is not relieved of its obligation to report monthly Gross Receipts. If the amount collected by Franchisor on the basis described above (120%) is less than the actual royalties owed, Franchisee shall pay one hundred twenty percent (120%) of the actual royalties owed. If the amount

collected by Franchisor exceeds the amount of actual royalties that would have been owing if Franchisee's monthly Gross Receipts had been timely reported, Franchisee agrees that any such difference shall be forfeited to Franchisor. At Franchisor's option, Franchisee agrees that Franchisor may base the amount of such debit on information retrieved from Franchisee's computer system, if any.

2. Other Fees and Amounts Owing. Franchisor shall debit by EFT all amounts owing by Franchisee (except current royalty fees) immediately when such amounts become due and owing, or as soon thereafter as is convenient for Franchisor. Franchisor may make such debits without prior notice to Franchisee.

3. Insufficient Funds and EFT Failures/Delays. If a direct debit does not process at the time it is initiated by Franchisor due to something within Franchisee's control (such as insufficient funds or alteration of the account or its settings), Franchisor may also debit Franchisee's account in the nonrefundable amount of $100 for administrative costs.

4. Under-Reporting. If, at any time, Franchisor determines that Franchisee has under-reported its Gross Receipts, or underpaid royalties or other amounts due hereunder, Franchisor shall be authorized to initiate immediately a debit to Franchisee's account in the appropriate amount in accordance with the foregoing procedure, plus late payment charges as provided for in this Agreement. Any overpayment (except in the instance of late reporting or failure to report gross revenues by Franchisee, in which event the overpayment is forfeited) shall be credited to Franchisee's account through a credit effective as of the first reporting date after Franchisee and Franchisor determine that such credit is due. If the amount debited is less than the actual amount owed, Franchisee shall pay the remaining amount owing, plus a late payment charge thereon as set forth in Paragraph XXVI.G. of this Agreement. If Franchisor is unable for any reason to debit the full amount permitted under this Agreement, Franchisee shall remit the remaining amount owing within five (5) business days from notice by Franchisor, plus a late payment charge thereon as set forth in Paragraph XXVI.G. of this Agreement.

5. Rights of Set-off. No amounts owing by Franchisee to Franchisor are subject to setoff, escrow, or payment by any other means than as set forth in this Agreement. Notwithstanding, Franchisor may set off any amounts owing or alleged to be owing from Franchisor to Franchisee against any amounts owing or alleged to be owing by Franchisee to Franchisor.

XVI. RECORDKEEPING AND ACCOUNTING

A. Use of Uniform System of Accounting. Franchisor may provide to Franchisee various recordkeeping forms, including standardized forms, deemed appropriate by Franchisor for use by Franchisee. Franchisee shall utilize these forms, and any other accounting, recordkeeping, POS Systems, or computer systems developed or recommended by Franchisor, which forms and systems may be amended or supplemented from time to time by Franchisor. Franchisee shall be

solely responsible for performing all recordkeeping duties, and the cost for all such services shall be borne solely by Franchisee.

B. Records and Audits. Franchisee shall maintain and preserve accurate books, records (including meeting minute books and resolutions), and tax returns, including related supporting material, such as cash register tapes, for its satellite store for at least five (5) years. Such books, records, tax returns and supporting material shall be available for inspection, examination, or audit by Franchisor or its designees, at Franchisor's request, and in the time and manner requested. Franchisor's examination or audit (but not Franchisee's keeping and making the information available) shall be at Franchisor's expense unless it is disclosed that any statement of Franchisee's Gross Receipts submitted by Franchisee is in error by two percent (2%) or more in Franchisee's favor, in which case such expense shall be borne by Franchisee. Franchisee shall also immediately pay Franchisor any deficiency in royalty fee payments as disclosed by such audit or examination, together with late payment charges at the maximum rate specified by law, or in the absence of a maximum rate specified by law, one and one-half percent (1 1/2%) per month after the amount is more than ten (10) days overdue.

C. Tax Returns. Franchisee shall submit to Franchisor copies of Franchisee's annual federal, state, and city, if any, income tax and sales returns within ten (10) days after filing.

D. Computer System. Franchisee will at all times maintain at the premises of the satellite store a working computer with high speed dedicated IP Internet access and a dedicated fax/modem line ("Computer System"). Franchisor may from time to time specify software to be included on the computer, including a POS System, and may require Franchisee to upgrade its computer and software to minimum requirements specified from time to time by Franchisor, provided that Franchisor may not require Franchisee to purchase new computer physical equipment with costs exceeding Five Hundred Dollars ($500) more than once in any period of thirty-six (36) consecutive months. Franchisor may develop, or contract for the development of, "Licensed Programs." Licensed Programs are defined as computer software programs which may include, without limitation, Franchisor's required point-of-sale bookkeeping (utilizing Franchisor's required general ledger entries and standard chart of accounts), inventory, training, marketing, ordering, loyalty and gift card programs, wholesale tracking and delivery, employee selection, operations and financial information collection and retrieval systems for use in connection with the operation of a BREADSMITH satellite store, including any updates, supplements, modifications or enhancements thereto, all related documentation, the tangible media upon which such program is recorded, and the database file structure thereof, but excluding any data or database owned or compiled by Franchisor, or its affiliates, for use with the Licensed Programs or otherwise or any data generated by the use of the Licensed Programs.

Franchisee agrees, when available, to use in the operation of the satellite store only the Licensed Program and those brands, types, makes and/or models of computer hardware which Franchisor may specify or require. Such requirements may require expenditure of monies by Franchisee, and the purchase or license of items from Franchisor at designated prices.

Franchisee shall install and use the Computer System at the satellite store, when use of the Computer System is available, and transmit information to Franchisor through the Computer System. Franchisee, at its own expense, shall establish and maintain at the satellite store, (i) a

high speed internet connection with a static IP address that the Franchisor may use to access the Computer System, (ii) full and complete corporate records and reports, and (iii) if required by Franchisor, databases in the form specified by Franchisor pertaining to the operation of the satellite store, supervisory reports relating to satellite store operations, and accounting, record keeping and records retention system conforming to the requirements prescribed by Franchisor from time to time (including, without limitation, requirements for a general ledger system which includes the standard chart of accounts prescribed by Franchisor and for timely entry of information into databases of the Computer System and periodic printouts of reports generated from the Computer System), information relating to employee turnover and such other reports and information as Franchisor may prescribe. Each transaction of Franchisee's business shall be processed on the Computer System in the manner prescribed by Franchisor. Franchisor shall have at all times, the right to retrieve information from and data processed on the Computer System, and Franchisee shall take such action as may be necessary to provide such access to Franchisor

E. Security Cameras. Franchisee will at all times maintain at the premises of the satellite store a working security camera system including a recording device. Franchisee shall provide Franchisor connection information and any software required to remotely access the system. The camera system shall always be available to Franchisor.

F. Pre-Authorized Access to Franchisee's Computer System. Franchisee hereby authorizes Franchisor to access its Computer System and Point of Sale System to gather Franchisee's records and reporting information regarding Franchisee's sales. Franchisee agrees to execute any documents and install software specified by Franchisor to allow local and remote access to Franchisee's Computer System by Franchisor, at Franchisee's sole expense.

XVII. TRANSFER OF FRANCHISE

A. General Rules. This Agreement (or any part thereof), the business operated under this Agreement, and any interest in Franchisee (if Franchisee is a corporation, partnership, limited liability company, or other entity), may not be transferred, assigned, pledged, encumbered, or sold, either voluntarily or by operation of law, directly, indirectly, or contingently, without the prior written consent of Franchisor, and then only in accordance with the provisions of this Paragraph XVII. Prior to approval of any transfer, the proposed assignee must own and operate a Primary Store and be in good standing with BFI. Any attempted assignment or transfer not in accordance with this Agreement will have no effect and will constitute a material and incurable breach of this Agreement, which will entitle Franchisor to immediately terminate this Agreement. Franchisee must not transfer or sell substantially all the assets of its franchise business, either directly, indirectly, or contingently, except with the prior written consent of Franchisor. Franchisee acknowledges that Franchisor may reasonably withhold its consent to a sale of substantially all of the assets of the satellite store during the term of this Agreement unless those assets are being sold to a transferee approved by Franchisor in accordance with this Section XVII, who will operate a satellite store at the Franchise Location.

Franchisee acknowledges that Franchisor's marketing plan is such that it is not feasible to separate the operation of the satellite store from the servicing of bulk and wholesale accounts. Therefore, no partial assignment of this Agreement or of Franchisee's rights or obligations hereunder shall be allowed. Franchisee acknowledges that this restriction is a reasonable one,

even though it prevents Franchisee from transferring control of less than all of the business operated hereunder.

Franchisee acknowledges and agrees that the following types of assignment or transfer are not permitted under this Agreement: (1) an assignment or transfer of any interest in this Agreement or any interest in Franchisee before Franchisee has opened and is operating the satellite store; and (2) a sublicense of any of the rights granted by this Agreement.

B. Right of First Refusal. Prior to the sale of the franchised business, or assignment by Franchisee of this Agreement in a transaction requiring Franchisor's consent, Franchisor shall have the option, exercisable within thirty (30) days after receipt of notice by Franchisor from Franchisee of the proposed sale or assignment, to purchase, or have its nominee purchase the business and this Agreement for the price and on the terms and conditions of the proposed sale. Franchisor shall have the right to substitute equivalent cash for any noncash consideration included in the sale. Such notice shall specify the name and address of the proposed transferee, shall enclose a completed franchise application from the proposed transferee, and shall set forth the price, terms, conditions, date, and place of closing of the proposed sale. Should Franchisor not exercise this right and should the contemplated sale not be completed, or should the terms and conditions thereof be altered in anyway, this right of first refusal shall be reinstated and any subsequent proposed sale, or the altered terms and conditions of the current transaction, must again be offered to Franchisor in accordance with this Paragraph. Should Franchisor elect to exercise its right of first refusal, Franchisee shall take all action necessary to cause its Lease Agreement with the landlord of the Franchise Location to be assigned to Franchisor.

C. Conditions of Franchisor's Consent to Transfer. If Franchisee or any person owning an interest in Franchisee desires to transfer any rights in this Agreement or in Franchisee, or the assets of the store, Franchisee or another appropriate person must give written notice of the proposed transfer to Franchisor, setting forth in detail the nature of the rights or assets to be transferred, the name, address, and background of the proposed transferee, the consideration for the transfer, and any other information that Franchisor may reasonably require. This notice must also include a copy of any agreements relating to the proposed transfer. After reviewing the information, Franchisor will determine, in accordance with the provisions of this Agreement and any procedures specified in the Confidential Manuals, whether to grant its consent to the transfer. Franchisor will not unreasonably withhold its consent to a transfer of the type permitted by this Agreement.

Before Franchisor consents to a transfer of the type permitted by this Agreement, all of the following conditions must be fulfilled:

1. The proposed transferee must follow the same application procedures as a new Franchisee and must meet the same standards of character, business experience, net worth, credit standing, health, etc., as Franchisor has set for any new franchisee.

2. The proposed transfer must be for a price and on terms and conditions that Franchisor determines to be reasonable, and the proposed transferee must demonstrate the ability to fund the proposed transfer and the operation of the store under the financial terms of the proposed transfer.

3. Franchisee must be in full compliance with all provisions of this Agreement and all other agreements with Franchisor, and must pay Franchisor all monies owing, including royalties, and must execute at the time of sale an agreement terminating or assigning this Agreement (at Franchisor's option), and a release of Franchisor and its affiliates and their owners, directors, members, employees, and agents from all claims, attached hereto as Exhibit 3.

4. The proposed transferee must satisfactorily complete Franchisor's initial training program. Franchisor may impose a reasonable charge for this training program, and Franchisee or the transferee will be responsible for all costs of transportation, lodging, and meals associated with the training.

5. The proposed transferee must, at Franchisor's option: (i) sign with Franchisor a Franchise Agreement and all ancillary agreements on the standard form in use by Franchisor at the time of transfer, which agreement will have a term equal to the full term provided in the standard form of Franchise Agreement, and which agreement may have terms that differ materially from this Agreement, or (ii) sign, with Franchisee, an assignment and assumption satisfactory to Franchisor, whereby the proposed transferee would be entitled to all of Franchisee's rights under this Agreement and assume all of Franchisee's obligations under this Agreement and all ancillary agreements. The owners of the transferee must personally guaranty the transferee's obligations to Franchisor by signing Franchisor's standard personal guaranty form.

6. Unless otherwise agreed by Franchisor: (a) if a new Franchise Agreement is signed by the transferee, Franchisor may require Franchisee and/or its personal guarantors to guaranty the obligations of transferee to Franchisor; and (b) if this Agreement is assigned to the transferee, Franchisee and its guarantors will continue to be responsible to Franchisor under this Agreement and any guaranties signed in connection with this Agreement.

7. The proposed transferee must pay Franchisor a non-refundable transfer fee of One Thousand Dollars ($1,000) paid before the transfer occurs.

8. The proposed transferee must agree that, within 90 days of the transfer, it will take any action specified by Franchisor to refurbish, update, upgrade, construct and/or improve the Franchise Location and the equipment, fixtures and signs at the Franchise Location in compliance with Franchisor's then applicable specifications and standards, including but not limited to specifications for build-out, decor, signage, equipment, layout, space, awnings, umbrellas, etc. Franchisee acknowledges that Franchisor may decide not to uniformly impose these obligations on transfer of its franchises based on numerous factors, and that the proposed transferee may be required to take steps that have not been required of other franchises.

9. Franchisee and the proposed transferee must comply with any other standard procedures specified by Franchisor.

Franchisee acknowledges that the conditions listed above are necessary for protection of the Franchise Marks and System and do not impose unreasonable restrictions on the transfer of this Agreement.

D. Franchisee's Death or Disability. Upon the death or permanent disability of Franchisee or, if Franchisee is a corporation, limited liability company, or partnership, the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall, within six (6) months of such event:

1. Apply to Franchisor for the right to continue to operate the franchised business (for the duration of the term of this Agreement), which right shall be granted upon the fulfillment of all of the conditions set forth in Paragraphs XVII. A.-E. of this Agreement (except that no transfer fee shall be required); or

2. Transfer its interest in this Agreement and its interest in the franchised business to a third party approved by Franchisor. Such disposition of this Agreement and such interest in the franchised business (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to transfers contained in Paragraphs XVII A.-E. Failure to transfer the rights and obligations of Franchisee in this Agreement and Franchisee's interest in the franchised business within said period of time shall constitute a breach of this Agreement. For purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually prevents Franchisee or an owner of a controlling interest in Franchisee from supervising the management and operation of the franchised business for a period of six (6) months from the onset of such disability, impairment or condition.

In the event of the death or incapacity of Franchisee, or any partner, member, or shareholder of Franchisee, if Franchisee is a partnership, limited liability company or corporation, where the aforesaid provisions have not been fulfilled within the time provided, all rights licensed to Franchisee under this Agreement shall, at the option of Franchisor, terminate forthwith and automatically revert to Franchisor.

If, after the death or permanent disability of Franchisee, or a controlling member or owner of Franchisee, the franchised business operated under this Agreement is not being managed by a competent and trained manager, Franchisor is authorized, but not obligated, to appoint a manager to maintain the franchised business operation until an approved assignee shall be able to assume its management and operation, but in no event for a period exceeding six (6) months, without the approval of the personal representative of Franchisee or such owner or member. All funds from the franchised business operation during the period of management by Franchisor's appointed manager shall be kept in a separate fund and all expenses of the franchised business, including compensation, other costs and travel and living expenses of Franchisor's appointed manager, shall be charged to such fund. As compensation for the management services provided, in addition to the fees due hereunder and the compensation, other costs and travel and living expenses which Franchisor's appointed manager incurs, Franchisor shall charge such fund five percent (5%) of the weekly Gross Receipts during the period of Franchisor's management. Operation of the

franchised business during any such period shall be for and on behalf of Franchisee, provided, that Franchisor shall have a duty only to utilize its good faith efforts and shall not be liable to Franchisee or its members or owners for any debts, losses or obligations incurred by the franchised business or to any creditor of Franchisee for any merchandise, materials, supplies or services purchased by the franchised business during any period in which it is managed by Franchisor's appointed manager.

E. Financial Statements of Franchisee. In connection with any transfer of the Franchise, Franchisor shall have the right, but not the obligation, to furnish any proposed assignee with a copy of all financial statements and any other information which has been furnished by Franchisee to Franchisor in accordance with this Agreement during the three (3) year period prior to the date approval of the proposed assignment, transfer, or sale is sought. Franchisor shall also have the right, but not the obligation, to advise any proposed assignee of any uncured breaches or default by Franchisee under this Agreement or any agreement relating to the franchised business.

F. Assignment to Controlled Entity. Franchisee may transfer its interest in this Agreement to an entity owned and controlled by Franchisee, provided (i) Franchisee is not in breach of any provision of this Agreement, (ii) Franchisee and the new entity execute a transfer agreement in a form prescribed by Franchisor at or prior to the date of assignment, and (iii) Franchisee simultaneously enters into a personal guaranty of all obligations of the transferee and otherwise agrees to remain bound by the obligations contained in this Agreement. No transfer fee shall be required in connection with such assignment.

G. Minor Changes of Ownership. A change in ownership of less than five percent (5%) of Franchisee is exempt from the transfer requirements of this Section if written notice of the proposed change in ownership of Franchisee is delivered to Franchisor and Franchisor indicates in writing that it approves the change in ownership of Franchisee before the occurrence of the change in ownership. If Franchisor does not approve the change in ownership, the Franchisee is not exempt from the requirements of this Section.

XVIII. PROPRIETARY RIGHTS, CONFIDENTIALITY, AND INNOVATIONS

Nothing contained in this Agreement shall be construed to require Franchisor to divulge to Franchisee any secret processes, formula, or ingredients, except the material contained in Franchisor's Confidential Manuals and training materials that are provided to Franchisee. Franchisor's Confidential Manuals, trade secrets (including, without limitation, all recipes, cookbooks, formulas, trade practices, products, sales techniques, merchandising and display techniques, advertising formats, accounting systems, operations systems, policies, procedures, systems, compilations of information, records, specifications, manuals and other confidential information) and copyrighted materials, methods and other techniques, information, know-how, and customer lists (whether generated or maintained by you or us) (collectively, "Confidential Information") are Franchisor's exclusive and confidential property which Franchisor provides to Franchisee in confidence. Franchisee acknowledges that its knowledge of Confidential Information is derived entirely from information disclosed to it by Franchisor and that such information is proprietary, confidential, and a trade secret of Franchisor. Franchisee agrees to maintain confidentiality of such information and to exercise the highest degree of diligence in safeguarding Franchisor's trade secrets during and after the term of this Agreement, including all Confidential Information. Franchisee shall divulge such material only to Franchisee's employees

and only to the extent necessary to permit the effective operation of the Franchisee's BREADSMITH business. It is expressly agreed that the ownership of all the proprietary property and Confidential Information is and shall remain vested solely in Franchisor.

If, during the term of this Agreement, Franchisee or its owners or employees develops any new formulas, recipes, know-how, processes, products, techniques, ideas, plans, improvements, or information in connection with the operation of a BREADSMITH satellite store, or any other similar aspect of the business ("Innovations"), Franchisee shall fully and promptly disclose this to Franchisor and may use the same only as approved by Franchisor. Franchisor and its affiliates own and have the right to authorize use of Innovations without any compensation to Franchisee or its owners or employees. Franchisee will execute all documents as requested by Franchisor to confirm ownership (and transfer to Franchisor, if necessary) of all Innovations.

XIX. NON-COMPETITION

A. Competitive Ownership. During the term of this Agreement and any renewal thereof, Franchisee shall not, without the express written consent of Franchisor, directly or indirectly, engage in or participate as an employee, agent, or owner, alone or with any other person, partnership or entity in any other business which is the same as or similar to the franchised business, nor shall Franchisee use, directly or indirectly, the system or concept of Franchisor except in the operation of its BREADSMITH franchise. If Franchisee is a joint venture or partnership, the restrictions in this paragraph XIX.A. shall apply to each partner or venturer who, individually or collectively, through himself, his spouse, his children, his grandchildren, or his parents, owns a five percent (5%) or greater interest in such venture or partnership. If Franchisee is a corporation or limited liability company, the restrictions in this paragraph XIX.A. shall apply to each shareholder or member, who individually or collectively, through himself, his spouse, his children, his grandchildren, or his parents, owns a five percent (5%) or greater interest in the outstanding capital stock of such corporation or limited liability company. If any provision of this Paragraph XIX. shall be deemed unenforceable by law, then such restrictions shall be reduced to the minimum extent necessary to be legally enforceable.

Franchisee shall not, without the express prior written consent of Franchisor, directly or indirectly, for a period of two (2) years from the date of the assignment by Franchisee, expiration or non-renewal of this Agreement, or the termination of this Agreement, regardless of the cause of the termination, engage in or participate as an employee, consultant, agent, or owner (whether directly or indirectly), alone or with any other person or entity with any business (i) selling fresh baked breads, bakery items, or any other products sold by BREADSMITH franchises within a radius of five (5) miles of the location of Franchisee's former BREADSMITH store, any other BREADSMITH store, whether franchised or owned by Franchisor or its affiliates, or location that contains Breadsmith products, or (ii) selling breads, bread products, or any other products sold by BREADSMITH franchises to any bulk or wholesale account serviced by Franchisee within one (1) year preceding the expiration or termination of this Agreement. Franchisee shall never use, directly or indirectly, the systems or concepts of Franchisor in any business whatsoever, wherever located.

The only exceptions to the restrictions contained in this Paragraph XIX shall be for (i) a business operated under and in compliance with a Franchise Agreement with Franchisor; and (ii)

a business operated at a location other than Franchisee's BREADSMITH store or satellite store pursuant to a franchise agreement with another franchise system having twenty (20) or more franchisees in which Franchisee has no direct or indirect ownership interest and that does not sell fresh baked breads, but does sell bakery items other than breads and loaves of bread as part of a larger business, and provided that Franchisee does not use any of Franchisor's recipes, systems or concepts in the operation of such business.

Franchisee agrees that, for a period of twelve (12) months following expiration or termination of this Agreement, Franchisee and its members, shareholders, or partners, as the case may be, shall notify Franchisor of any new employment or business ownership, including the start date of such employment or business ownership, the name and address of the employer or business, and the title and description of services offered by the employer or business.

If Franchisee violates any of these provisions, then in addition to any other relief to which Franchisor may be entitled, the period of time for which the restriction shall apply shall be extended by a period equal to the period of noncompliance. Franchisee acknowledges that Franchisee (and Franchisee's owners, if Franchisee is an entity) has previously worked in or has been gainfully employed in other fields of endeavor and that these provisions will in no way prevent Franchisee from earning a livelihood. Further, Franchisee acknowledges that violation of these non-competition covenants will result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Therefore, Franchisee agrees Franchisor shall be entitled to injunctive relief to prohibit any conduct by Franchisee in violation of the non-competition covenants contained herein.

B. Appropriation of Franchisor's System. Franchisee covenants that it shall not appropriate, use, or duplicate the Franchisor's system, or any portion thereof, for use in any other business.

XX. RELATIONSHIP OF THE PARTIES

In all matters pertaining to the operation of Franchisee's BREADSMITH business, Franchisee is and shall be an independent contractor. Franchisee shall conspicuously identify itself at the Franchise Location, and in all of its dealings with bulk and wholesale accounts, as an independent franchisee. No employee of Franchisee shall be deemed to be an employee of Franchisor. Nothing contained herein shall be construed to create a partnership, joint venture, or agency between Franchisee and Franchisor. Neither party hereto shall be liable for the debts or obligations of the other unless expressly assumed in writing.

XXI. DEFAULT BY FRANCHISEE

A. Automatic Termination. This Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

1. Voluntary Bankruptcy. Franchisee makes an assignment for the benefit of creditors or similar disposition of assets of the franchised business, file a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state

bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee; or

2. Involuntary Bankruptcy. Proceedings are commenced to have Franchisee adjudicated bankrupt or to seek reorganization of Franchisee under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee without Franchisee's consent, and the appointment is not vacated within 60 days.

B. Termination With Notice and Without Opportunity to Cure. Franchisor has the right, at its option, and in addition to all remedies that Franchisor has available to it under this agreement, at law, or in equity, to terminate this Agreement and all rights granted to Franchisee under this Agreement, without affording Franchisee any opportunity to cure, effective upon Franchisee's receipt of notice, as provided in Section XXV, for any of the following breaches or defaults:

1. Abandonment. Franchisee voluntarily abandons the franchised business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue operation of the store in accordance with the terms of this Agreement and shall apply in any event if Franchisee fails to operate the store as required under this Agreement for a period of five (5) or more consecutive days without Franchisor's prior written approval.

2. Unauthorized Disclosure. Franchisee intentionally or negligently discloses to any unauthorized person any Confidential Information, including the contents of or any part of our Confidential Manuals.

3. Insolvency. Franchisee or any of its owners becomes insolvent.

4. Liens. A levy, writ of attachment or execution, or any other lien is placed against Franchisee, any of the assets of Franchisee or any of Franchisee's principals or any of their assets, which is not released or bonded against within 30 days.

5. Criminal Misconduct. Franchisee or any of Franchisee's owners or managers is convicted of, or pleads guilty or no contest to, a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in Franchisor's sole opinion, to materially and unfavorably affect the BREADSMITH franchise system, trademarks, goodwill, or reputation, or takes part in any criminal misconduct relevant to the operation of the store.

6. Impairment of Goodwill. Franchisee commits any act which materially impairs the goodwill associated with the Franchisor's trademark, trade name, service name, logotype or other commercial symbol.

7. Misuse of Marks. Franchisee materially violates any provision of this Agreement relating to the Names or Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Names.

8. Repeated Defaults. Franchisee: (i) has received two (2) notices of default from Franchisor within any six-month period, regardless of whether Franchisee cured the defaults, or (ii) has received two notices of default for the same default in a 13-month period.

9. Failure to Operate. Franchisee abandons or fails or refuses to actively operate its satellite store for more than five (5) business days in any twelve (12) month period, unless the satellite store has been closed for a purpose approved by Franchisor or due to an act of God.

10. Violation of Non-competition Covenants. Franchisee or any related entity or individual subject to the non-competition covenants described in this Agreement intentionally or negligently violates one or more of the covenants.

11. Understatement of Sales. Franchisee submits to Franchisor on two (2) or more separate occasions at any time during the term of this Agreement, any reports or other data, information or supporting records which understate by more than two percent (2%) the gross receipts for any period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error.

12. Fraud. Franchisee or its owners commits any fraud or misrepresentation in the operation of the store.

13. Misrepresentation. Franchisee or its owners make any misrepresentation or omission in connection with Franchisee's franchise application, including, but not limited to, any financial misrepresentation.

14. Unauthorized Products or Services. Franchisee offers or sells any unauthorized or unapproved product or service.

15. Unapproved Purchases. Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier.

16. Primary Store. Franchisee no longer operates the Primary Store, the Primary Store closes or the franchise agreement for the Primary Store is terminated for any reason.

C. Termination for Failure to Pay Sums Due to Franchisor or its Affiliates. If Franchisee fails, refuses, or neglects to pay Franchisor or its affiliates any monies owing to Franchisor on the date such amounts are due, Franchisor may, at its option, in addition to all remedies that Franchisor has available to it at law or in equity, immediately terminate this Agreement if Franchisor provides notice to Franchisee of nonpayment and Franchisee does not bring all payments current within ten (10) days after receipt of such notice.

D. Termination Upon Thirty Days' Notice to Cure. If Franchisee is in default in the performance of any of the terms of this Agreement (not otherwise described in this Paragraph XXI), including, but without limitation, the acts set forth hereinafter, Franchisor, in addition to all remedies that Franchisor has available to it at law or in equity, at its option, may immediately

terminate this Agreement if Franchisee does not cure all defaults within thirty (30) days after receiving notice of the default(s) from Franchisor:

1. Transfers Without Prior Consent. Any purported assignment, transfer, or sublicense of this Agreement, or any right hereunder, without the prior written consent of Franchisor, or if Franchisee sells, leases, subleases or transfers any interest in its store, or in its store lease, without Franchisor's prior written consent.

2. Franchise Location Loss. Franchisee's right to occupy the satellite Franchise Location is lost and Franchisee does not secure another Franchise Location approved by Franchisor within the Designated Territory within ninety (90) days after the closing of Franchisee's store.

3. Failure to Pay Other Obligations. Franchisee fails to make timely payments upon any obligation of Franchisee or default upon or a breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating thereto.

4. Failure to Comply. Franchisee fails to comply with all of the terms of this Agreement or any other agreement between Franchisor and Franchisee.

5. Failure to Open. Subject to fire, flood, earthquake, or other similar causes beyond Franchisee's control, Franchisee fails to open its store within nine (9) months after execution of this Agreement or any scheduled opening date set by Franchisor after completion of the premises.

6. Failure to Submit Reports. Franchisee fails to submit reports or financial data which Franchisor requires under this Agreement.

7. Attachment. The real or personal property of Franchisee shall be attached or levied upon by any sheriff, marshal, or constable.

8. Failure to Decorate and Equip. Franchisee fails to decorate and equip its satellite store as provided in this Agreement.

9. Failure to Obtain Insurance. Franchisee fails to obtain or maintain insurance as required by this Agreement.

10. Trade Accounts. Franchisee fails to maintain its trade accounts (other than accounts owed to Franchisor or its affiliates, which the parties agree are subject to the provisions of Paragraph XXI.B. above) in a current status. For purposes of this Paragraph, current status shall be deemed to be within thirty (30) days of the due date.

11. Other Agreements. Franchisee defaults under any agreement between Franchisee and Franchisor, or under the Lease Agreement with the Landlord of the Franchise Location.

12. Failure to Pay Taxes and Other Obligations. Franchisee fails to timely pay any income, payroll, unemployment, property (personal and real), or other tax assessed against Franchisee.

E. Grant of Security Interest and Lien for Failure to Pay Sums Due to Franchisor or Its Affiliates. If Franchisee fails, refuses, or neglects to pay Franchisor or its affiliates any monies owing to Franchisor or its affiliates on the date due, Franchisee grants immediately to Franchisor, at Franchisor's option (which may be exercised at Franchisor's convenience), a security interest and lien in all of Franchisee's assets, including, without limitation, all equipment, vehicles, fixtures, inventory, deposit accounts, accounts receivable, and supplies. If Franchisor exercises its option hereunder (which Franchisor may exercise at any time that Franchisee is not in full compliance with this Agreement), Franchisee hereby appoints Franchisor as its attorney-in-fact, with full power and authority to endorse Franchisee's name on a security agreement naming Franchisor as the secured party and granting a continuing lien on and security interest in all right, title, and interest of the Franchisee, whether now existing or hereafter created, in and to all of the equipment, vehicles, fixtures, inventory, deposit accounts, accounts receivable, and supplies of Franchisee, to secure payment and performance of all obligations and indebtedness of Franchisee then existing or that become in the future owing to Franchisor. Franchisee further authorizes Franchisor and its attorneys and agents to file appropriate financing statements, amendments, and other documents as deemed necessary by Franchisor to secure its interest in Franchisee's assets; such financing statements may describe the collateral as "all assets" or "all personal property" that Franchisee now owns or acquires in the future. Franchisor shall have all rights and remedies of a secured party under applicable laws.

F. Fines for Default and Failure to Comply with Franchisor's Standards. In addition to, and not as a substitute for, all other rights and remedies of Franchisor in this Agreement, including Franchisor's right to terminate the Agreement as provided in this Agreement, if Franchisee is in default under this Agreement or fails to comply with any standard that has been specified by Franchisor in the Confidential Manuals or otherwise, Franchisor may issue a fine for such default or noncompliance up to Five Hundred Dollars ($500) for the first instance of default, up to One Thousand Dollars ($1,000) for the second instance of default during the current term, and up to Two Thousand Dollars ($2,000) every subsequent default thereafter during the current term. If a default or noncompliance is not cured within thirty (30) days of notice from Franchisor, it shall be considered a subsequent default or incident of non-compliance.

G. Right to Withhold Products and Services. During any period that Franchisee is in default under this Agreement, Franchisor shall have the right to withhold or discontinue providing all services to Franchisee, including but not limited to the right to suspend Franchisee's right to purchase products or services from Franchisor or its affiliates.

H. Right to Manage in Default or Upon Death or Disability. If Franchisee defaults under Section VII.H (Franchisee's Efforts), VI.B (Manager Training), XXI.B.1 (Abandonment), XXI.B.3 (Insolvency), XXI.B.4 (Liens), XXI.B.5 (Criminal Misconduct), XXI.B.6 (Impairment of Goodwill), XXI.B.8 (Repeated Defaults), XXI.B.9 (Failure to Operate), XXI.B.12 (Fraud), XXI.B.16 (Primary Store), XXI.C (Failure to Pay Sums Due to Franchisor or its Affiliates), XXI.D.2 (Franchise Location Loss), XXI.D.3 (Failure to Pay Other Obligations), XXI.D.6 (Failure to Submit Reports), XXI.D.7 (Attachment), XXI.D.11 (Trade Accounts), XXI.D.12 (Other Agreements), XXI.D.13 (Failure to Pay Taxes and Other Obligations) of this Agreement, or Franchisee or its trained owner cannot operate the store due to death or disability, Franchisor may take over management of Franchisee's Business and stores for a period not to exceed six (6) months or, in the event of pending litigation or arbitration, until the conclusion of such litigation

or arbitration. Franchisor shall be paid a management fee of five hundred dollars ($500) per day during the management period in addition to all direct and indirect expenses incurred as a result. Franchisee must provide Franchisor with complete access to the Business and all accounts and other accesses necessary to operate the Business and stores. Franchisee agrees to fully and completely indemnify Franchisor from and against all claims, liabilities, and expenses incurred, whether directly or indirectly, relating to Franchisor's management of the Business or stores. Franchisee also agrees, at Franchisor's request after Franchisor has the right to manage the Business and stores pursuant to this Section, to enter into a management agreement with Franchisor, acceptable to Franchisor, to manage the Business and stores. In no event shall Franchisor have any obligation to manage the Business or Stores.

I. Termination Not Exclusive Remedy. Termination of this Agreement by Franchisor as a result of a default by Franchisee shall not be the exclusive remedy available to Franchisor, and Franchisee shall remain liable to Franchisor for all damages caused to Franchisor as a result of the default, including Franchisor's lost benefit of the bargain of this Agreement should this Agreement be terminated following a default by Franchisee.

J. Future Royalties. If this Agreement is terminated before the expiration of its term, you acknowledge and agree that, in addition to all other available remedies, we shall have the right to recover lost future royalties during any period in which you fail to pay such royalties through and including the remainder of the then current term of this Agreement. Such amount shall be deemed liquidated damages and not a penalty. The amount owing shall be computed by taking the average royalty during the 12 month period preceding the date of termination (or, if 12 months have not elapsed, such shorter period; if royalty reports are missing, any months for which royalty reports are missing shall be assigned the highest amount of any other month or Franchisor's reasonably determined calculation), multiplied by the number of months remaining in the term of this Agreement or any applicable renewal term. Our right to recover lost future royalties shall be non-exclusive and shall not in any way limit our remedies.

XXII. DEFAULT BY FRANCHISOR

If Franchisor fails to materially comply with its material obligations under this Agreement, and fails to cure such failure within thirty (30) days after receipt of notice from Franchisee, clearly identified as a "Notice of Default," and clearly specifying the provision of this Agreement that has been defaulted and the manner in which default has occurred, then Franchisee may terminate this Agreement effective upon providing Franchisor ten (10) additional days' notice of its intent to terminate.

XXIII. ACTIONS FOLLOWING TERMINATION, ASSIGNMENT OR EXPIRATION

In the event of termination of this Agreement for any reason or by either party, Franchisee forfeits all fees paid and will no longer use Franchisor's Names or any other property connected with the franchise. In addition, in the event of termination, expiration or assignment of this Agreement:

A. Use of Franchisor Property. Franchisee must immediately cease use of all Names, including any parts thereof that are used by Franchisee in any manner or in any medium including but not limited to on-line, Internet or social media uses in association with the satellite

store. Franchisee must also immediately cease use of all recipes, formulas, training manuals, Confidential Manuals, and other proprietary property of Franchisor. Franchisee shall immediately return all manuals, Confidential Manuals, training films, videos, training materials, recipes, and other property of Franchisor and shall not operate or do business under any name or in any manner that might tend to give the general public the impression that Franchisee is dispensing, selling, or servicing any of the products developed by Franchisor, or that it is operating a store similar to the BREADSMITH satellite store established under this Agreement.

B. Telephone, Directory, and Internet Listings. Franchisee shall, at the election of Franchisor, either change all telephone numbers and other public information and directory listings which designate the satellite store as a BREADSMITH store, or, at Franchisor's option, shall execute all documents necessary to transfer to Franchisor, or Franchisee's nominee, the right to use and control all telephone numbers for the store. If Franchisee fails or refuses to immediately execute such documents, Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to do so.

C. Websites, Domain Names, Social Media and Assumed Names. Franchisee shall expeditiously take such action as may be required to properly cancel all domain names, social media accounts, and any assumed name or equivalent registrations relating to the use of Franchisor's Names, or any part thereof, and notify any Internet service provider, domain name registrar, and all listing agencies of the termination or expiration of Franchisee's right to use the domain name, assumed name, and other directory listings associated with Franchisor's Names, and to authorize the Internet service provider, any domain name registrar, and all listing agencies to transfer to Franchisor all such domain names and listings. If Franchisee fails or refuses to immediately complete such action, Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to do so.

D. Redecorating. Franchisee, at Franchisor's request, immediately redecorate the store to prevent the public from believing the store remains in Franchisor's system.

E. Franchisor Right to Purchase. Franchisor has the option to purchase the leasehold improvements, equipment, and tangible assets of the satellite store and any other store operated by Franchisee, including wholesale displays and fixtures, at a price equal to the depreciated cost thereof, based on a straight line sixty (60) month amortization period, as determined by Franchisor in its sole discretion. Franchisor may exercise this option and take immediate possession of all such assets upon sending notice to Franchisee. If Franchisor exercises this option, Franchisor shall notify Franchisee and provide Franchisee with a bill of sale incorporating the purchase price based on the method described in this paragraph and the assets being purchased by Franchisor. If Franchisee believes that Franchisor's determination of the original purchase price paid by Franchisee for any item is incorrect, Franchisee shall, within five (5) business days, provide Franchisor with the evidence supporting this belief. Franchisor may make adjustments as it believes appropriate in its sole discretion. Franchisee shall have ten (10) business days from the date it receives such notice and bill of sale to return the bill of sale executed by Franchisee. If Franchisor has not received the executed bill of sale from Franchisee within ten business days from the date it receives such notice, Franchisee hereby expressly appoints Franchisor to act as Franchisee's attorney in fact to execute the bill of sale and any other documents necessary to complete transfer of ownership of the purchased assets. Franchisor

may set off the purchase price amount or any portion thereof against any amounts owing by Franchisee to Franchisor or its affiliates.

F. Lease Assignments. Franchisor may exercise its option to obtain an assignment from Franchisee of Franchisee's Lease Agreement with the landlord of the store pursuant to the terms of the Franchise Collateral Assignment of Lease Agreement and force Franchisee to vacate. If Franchisor exercises its option to obtain an assignment of the Lease Agreement with the landlord of the store under the Collateral Assignment of Lease Agreement executed by Franchisor, Franchisee, and the landlord of the store, Franchisee shall vacate the store promptly and completely and permit Franchisor to take possession of the store.

G. Confidential Manuals and Other Proprietary Material; Customer Lists. Franchisee shall cease and forever abstain from using any proprietary information contained in the Confidential Manuals, and return to Franchisor all copies of the Confidential Manuals and all other documents, instructions, recipes, display items, advertising material, training tools, and other tangible property connected with the franchise, and remove all signs and other items tending to identify the store as being connected with Franchisor or the BREADSMITH system. Franchisee shall also immediately provide to Franchisor any and all lists of customers of the Franchisee's BREADSMITH store.

H. Inventory and Paper Goods. Franchisor shall have the option to purchase all inventory, paper goods, containers, and all other items containing Franchisor's names or marks at Franchisee's cost.

I. Other Obligations. Franchisor may retain all fees paid pursuant to this Agreement. In addition, all obligations of Franchisor to Franchisee and all rights of Franchisee under this Agreement shall automatically terminate; however, any obligations of Franchisee to take, or abstain from taking, any action upon termination pursuant to this Agreement, shall not be affected by such termination, including the payment to Franchisor of all sums due from Franchisee at the time of termination.

XXIV. ENFORCEMENT

A. Injunctive Relief. Franchisor shall be entitled without bond to the entry of temporary restraining orders and temporary and permanent injunctions enforcing the aforementioned provisions. If a court determines a bond is necessary, Franchisee agrees that the bond shall be limited to not more than Ten Thousand Dollars ($10,000). If Franchisor is successful in obtaining an injunction or any other relief against Franchisee, Franchisee shall pay Franchisor an amount equal to the aggregate of Franchisor's costs of commencing and prosecuting the action, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor's right to obtain injunctive or other equitable relief shall be in addition to any other rights Franchisor may have under this Agreement and shall in no way limit or prohibit Franchisor from obtaining money damages from Franchisee.

B. Compulsory Mediation. Except with respect to matters for which Franchisor believes it necessary to seek equitable relief, or to collect royalties or other amounts owing to Franchisor, Franchisee and Franchisor shall be required to enter into mediation of all disputes involving this Agreement or any aspect of the relationship between them for a minimum of four

(4) hours prior to the initiation of any legal action or proceeding against the other party or any agent or affiliate of the other party. Such mediation shall be conducted through the American Arbitration Association unless the parties agree to conduct the mediation directly with the mediator. If the party receiving the notice of intent to mediate does not respond within ten (10) business days from the date the notice of intention to mediate is received, then the other party, at its option, may (i) forego mediation of the issue(s) and commence litigation, or, at its option, (ii) select a mediator and/or one of these organizations to provide mediation services. The mediation shall be held within sixty (60) days following receipt by the mediation organization or mediator of notification that its/his/her services shall be retained. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. Franchisor and Franchisee shall have fifteen (15) days from the date the organization is designated to select a person working with that organization to serve as mediator. If the parties are unable to agree on the mediator, then the organization shall select the mediator, but the organization must select a person who has had at least ten (10) years of experience in franchise law. The mediation shall be held as soon as practicable following selection of the mediator. The parties shall equally share the cost of the mediator. Unless both Franchisor and Franchisee agree otherwise, the mediation will be held in Whitefish Bay, Wisconsin. If Franchisee fails or refuses to abide by the provisions of this subparagraph and to engage in mediation as required herein, and litigation ensues between the parties, Franchisee shall be liable for all attorneys' fees incurred by Franchisor in such proceeding, regardless of the outcome of the proceeding, and shall reimburse Franchisor on demand for such costs.

C. WAIVER OF JURY TRIAL. TO THE EXTENT EITHER PARTY IS PERMITTED TO ENFORCE THIS AGREEMENT BY JUDICIAL PROCESS AND ELECTS TO DO SO, EACH OF THE PARTIES WAIVES ITS RIGHT TO A TRIAL BY JURY. THIS WAJVER SHALL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION INCLUDING, BUT NOT LIMITED TO, CLAIMS RELATED TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN FRANCHISOR AND FRANCHISEE (INCLUDING ANY OWNERS OR GUARANTORS, IF APPLICABLE, AND INCLUDING ACTIONS INVOLVING AFFILIATES, OFFICERS, EMPLOYEES OR AGENTS OF FRANCHISOR OR FRANCHISEE) FOR BREACH OF THE FRANCHISE AGREEMENT.

D. Limitations of Claims and Waiver of Class/Group Actions. Except with regard to franchisee's obligation to pay Franchisor and its affiliates any payments under this Agreement or any other agreement, any claims between the parties must be commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim, or such claim shall be barred. The parties understand that this time limit may be shorter than otherwise would be allowed by law. Franchisee and its owners agree that their sole recourse for claims arising between the parties shall be against Franchisor and its successors and assigns only. Franchisee and its owners agree that Franchisor, its affiliates, members, managers, shareholders, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between the parties or their affiliates and owners. The parties further agree that, in connection with any such proceeding, each party must file any claims which would

constitute a compulsory counterclaim under rule 13 of the federal Rules of Civil Procedure, and that any such claim which is not filed as a compulsory counterclaim will be forever barred. The parties agree that any proceeding between them or their owners or affiliates will be conducted on an individual basis, and shall not be conducted on a class-wide basis, commenced, conducted, or consolidated with any other proceeding, or brought on any party's behalf by any association or agent. No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this agreement.

E. Waiver of Punitive Damages/Lost Profits. Franchisor and Franchisee (and the respective owners and guarantors, if applicable) agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages, or lost profits, against the other and against any affiliates, owners, employees, or agents of the other, and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of actual damages sustained by it and any equitable relief to which it may be entitled.

F. Exclusive Venue. Franchisor and Franchisee (and the respective owners, officers, affiliates and agents, if applicable) each agree to submit to the exclusive jurisdiction of the state and federal courts of Wisconsin with respect to any litigation pertaining to this Agreement or to any aspect of the business relationship between the parties, even if additional persons are named as parties to such litigation (unless the courts of Wisconsin would have no jurisdiction over such additional persons). No action or proceeding involving this Agreement or any aspect of the relationship between the parties or their agents or affiliates shall be commenced by any party except in Milwaukee County, Wisconsin, nor shall any such action be transferred to any other venue. Notwithstanding the foregoing, if Franchisor is permitted to seek injunctive relief under this Agreement, Franchisor may, at its option, bring such action in the county in which any store that is the subject of the injunctive relief sought is located.

G. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between Franchisor and Franchisee. Franchisor and Franchisee therefore each agree that a decision of an arbitrator or court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between Franchisor and Franchisee. The parties therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

XXV. NOTICES

All notices, requests, demands, payments, consents, and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given and received: (i) when delivered and actually received by the receiving party via facsimile or email; (ii) when delivered by hand; or (iii) three (3) days after being sent by registered or certified United States mail, postage prepaid, addressed as follows:

FRANCHISOR: BREADSMITH FRANCHISING, INC.
409 East Silver Spring Drive, Suite U11
Whitefish Bay, Wisconsin 53217
(414) 962-1965; Fax (414) 431-5789

FRANCHISEE: to the Notice Address specified in the Data Sheet.

Either party may change its address by giving notice of such change of address to the other party.

XXVI. MISCELLANEOUS

A. Additional Actions. The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Agreement.

B. Reasonable Efforts. Franchisee acknowledges that whenever Franchisor is required to perform any services for Franchisee, or provide any services to Franchisee, Franchisor is not required to perform those services to Franchisee's level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment, taking into account the needs of other franchisees in the BREADSMITH system.

C. Heirs, Successors, and Assigns. This Agreement shall be binding and inure to the benefit of the parties and their heirs, successors, and assigns.

D. Entire Agreement. FRANCHISEE ACKNOWLEDGES THAT IT HAS READ THIS AGREEMENT IN FULL; IS COGNIZANT OF EACH AND EVERY ONE OF THE TERMS AND PROVISIONS THEREOF AND IS AGREEABLE THERETO; THAT NO REPRESENTATIONS OR AGREEMENTS, WHETHER ORAL OR WRITTEN, EXCEPT AS SET FORTH HEREIN OR IN A FRANCHISE DISCLOSURE DOCUMENT PROVIDED TO FRANCHISEE, HAVE BEEN MADE OR RELIED UPON; THAT THE SIGNATURES AFFIXED HERETO WERE AFFIXED AS THE WHOLLY VOLUNTARY ACT OF THE PERSONS WHO SIGNED THIS AGREEMENT; THAT THE TERMS AND PROVISIONS OF THIS FRANCHISE AGREEMENT ARE THE ONLY AGREEMENTS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER CONTAINED IN THIS AGREEMENT AND CANNOT BE CHANGED OR MODIFIED UNLESS IN WRITING SIGNED BY THE AUTHORIZED REPRESENTATIVE OF FRANCHISOR AND AN AUTHORIZED AGENT OF FRANCHISEE; AND THAT THERE CAN BE NO GUARANTY OF SUCCESS SINCE FRANCHISEE'S BUSINESS ABILITY, APTITUDE, AND INDUSTRIOUS DISPOSITION ARE PRIMARY IN FRANCHISEE'S SUCCESS OR FAILURE.

E. Waiver of Rights. Failure by either party to enforce any rights under this Agreement shall not be construed as waiver of such rights. Any waiver, including waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance. Any acceptance of money or other performance by Franchisor from Franchisee shall not constitute a waiver of any default. Notwithstanding the foregoing, if either party defaults or fails to abide by any of its obligations under this Agreement, the other party must give notice of such failure within one (1) year after such failure occurs, or the aggrieved party shall be deemed to

have waived the breach, unless the breach relates to the underreporting or failure to report Gross Receipts by Franchisee or failure to pay any amounts owing to Franchisor by Franchisee. To the extent similar obligations are required to be performed in the future, a waiver of a past performance shall not preclude the party from insisting on full performance of such obligation in the future.

F. Approval. Whenever Franchisor's approval or consent is required under this Agreement, such approval or consent shall not be valid unless given in writing and signed by an officer of Franchisor, irrespective of whether the provision in question refers to written approval or consent. Franchisee acknowledges that in light of this provision, it would be unreasonable for it to rely upon any oral approval or consent, and that any consent or approval purportedly given other than in writing shall not be binding upon Franchisor.

G. Late Payment Charges on Past-Due Obligations. Any monies past due to Franchisor from Franchisee shall bear interest at the maximum rate permitted by the state whose law governs this Agreement, or in the absence of a maximum rate specified by state law, at one and one-half percent (1 1/2%) per month. The foregoing shall not affect any other right or remedy of Franchisor arising from such delinquency.

H. Validity of Parts. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portion, and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in effect.

I. Headings and Table of Contents. The headings and table of contents used herein are for purposes of convenience only and shall not be used in construction of the provisions hereof. As used herein, the male gender shall include the female and neuter genders; the singular shall include the plural, and the plural, the singular.

J. Execution by Franchisor. This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor.

K. Assignment by Franchisor. This Agreement may be assigned in whole or in part by Franchisor without prior approval of Franchisee, and such assignment shall not modify or diminish Franchisee's obligations hereunder.

L. Third Parties. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement, and no third party shall have the right to claim the benefit of any provision hereof as a third-party beneficiary of any such provision.

M. Attorneys' Fees. If Franchisor is required to engage legal counsel in connection with Franchisee's failure to pay when due amounts owing to Franchisor, to submit when due any reports, information or supporting records or otherwise comply with this Agreement, Franchisee shall reimburse Franchisor for all of the above-mentioned costs and expenses which it incurs, whether or not litigation ensues. Franchisor shall debit such fees, costs, and expenses by EFT from Franchisee's bank account as provided in Paragraph XV.B.2. In addition, if Franchisee initiates any legal action (including actions for equitable relief) against Franchisor, and Franchisor prevails, Franchisee shall be liable to Franchisor for reimbursements of all attorneys' fees, expert fees, court costs, and other expenses incurred by Franchisor in such litigation or arbitration.

If Franchisor becomes a party to any litigation or arbitration proceeding concerning this Agreement by reason of any act or omission of Franchisee or Franchisee's authorized representatives and not by any act or omission of Franchisor or any act or omission of its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding, Franchisee shall be liable to Franchisor for reasonable attorney's fees, experts fees and court costs incurred by Franchisor in such arbitration, litigation, proceeding, or action regardless of whether it proceeds to judgment. In addition, Franchisor shall be entitled to add all costs of collection, late payment charges, attorneys' fees and experts' fees to its proof of claim in any solvency proceedings filed by Franchisee.

N. Business Form. If Franchisee is an individual, Franchisee shall be permitted to organize as a corporation or limited liability company and to transfer the business and franchise to a corporation or limited liability company wholly owned by Franchisee, provided that such entity executes all then-existing Franchise Agreements. Franchisee shall be required to execute a personal guarantee and covenant to ensure the compliance of any such corporation with the terms and obligations of the Franchise Agreement.

O Governing Law. This Agreement, and all claims relating to this Agreement or the parties hereto shall be governed by and construed in accordance with the internal laws of the State of Wisconsin; however, if this Agreement concerns satellite store located in a state other than Wisconsin and the laws of that state require terms other than those or in addition to those contained herein, then this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Franchisor and Franchisee also agree that if Franchisee is not a Wisconsin resident, and if Franchisee's satellite store is not physically located in Wisconsin, then the provisions of the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law shall not apply to this transaction or this Agreement.

Any provision of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement. Any prohibition against or unenforceability of any provision of this Agreement in any jurisdiction, including the state whose law governs this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, Franchisee waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

P. Other Business Interests. Franchisee acknowledges that Franchisor and its affiliates have their own business interests that are not intended to be restricted by this Agreement. Except as expressly provided in this Agreement, Franchisor and its affiliates may pursue their own business interests without obligation to, and irrespective of, the impact of their actions upon Franchisee or Franchisee's BREADSMITH satellite store. These actions include, but not by way of limitation, ownership, operation, or disposition of their own stores or other businesses, and the sale of products or services through other methods of distribution.

Q. Patriot Act. Franchisee represents and warrants to Franchisor that: (i) neither Franchisee (including its directors and officers, if applicable) nor any of its affiliates, or to the best knowledge of Franchisee after due inquiry, any funding source for this franchise, is identified on the list of the United States Treasury's Office of Foreign Assets Control (OFAC); (ii) neither Franchisee nor any of its affiliates is directly or indirectly owned by the government of any country that is subject to an embargo imposed by the United States government; and (iii) neither Franchisee nor any of its affiliates is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo.

R. Debarred List. Franchisee represents, warrants and covenants to Franchisor that Franchisee: (i) is not on the U.S. Department of Commerce Denied Persons, Entities and Unverified List, the U.S. Department of State's Debarred List, or on the U.S. Department of Treasury's lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (ii) during the term of this Agreement, will not be on any of the Lists; and (iii) during the term of this Agreement, will not sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists.

S. Notification. Franchisee shall notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of the representations, warranties or covenants set forth in Sections XXVI(Q.) or (R.) above incorrect.

XXVII. NO PROJECTIONS OR REPRESENTATIONS

Franchisee acknowledges and represents that it has not received from Franchisor any projections or representations regarding the amount of income it can expect to earn from the franchise granted hereby other than what was provided in the Franchise Disclosure Document. Franchisee acknowledges that no representations or warranties inconsistent with the Franchise Disclosure Document or this Agreement were made to induce Franchisee to execute this Agreement.

Franchisee acknowledges that neither Franchisor nor any person can guarantee the success of the business of Franchisee.

Franchisee is entering into this Agreement after having made an independent investigation of Franchisor's operations. Franchisee understands that the business venture contemplated by Franchisee under this Agreement involves a high degree of financial risk and depends to a large extent upon the abilities of Franchisee.

The undersigned Franchisee, by signing this Franchise Agreement, acknowledges that he or she has read same and that he or she has been requested to state in writing hereafter any terms, claims, covenants, promises, or representations including representations as to any income, gross revenue projections, or other financial performance representations that were made to him or her by Franchisor or his or her representatives including the persons making same, the location, and date. If no such representations, etc., were made, the undersigned should write the word "none" on the following lines:

_____

_____

_____

_____

_____

_____

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

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

	"FRANCHISOR"
WITNESS:	BREADSMITH FRANCHISING, INC.
_____	_____
By:	By: Its:
	"FRANCHISEE" Entity name (if applicable):
WITNESS:	_____
_____	_____
By:	By: Its (if entity):
WITNESS:	
_____	_____
By:	By:

All individuals, partners, and shareholders of the entity which signs this Agreement as Franchisee acknowledge and accept the duties and obligations imposed upon each and every one of them, individually, by the terms contained in Paragraph XV in of this Agreement requiring that all trade secrets and other confidential information of Franchisor provided to Franchisee be maintained in confidence, and Paragraph XIX of this Agreement prohibiting the undersigned from competing with any BREADSMITH stores as more particularly set forth in such paragraph.

GUARANTY

IN CONSIDERATION of Franchisor's acceptance of the Satellite Franchise Agreement to which this Guaranty is attached (the "Satellite Franchise Agreement"), and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby jointly and severally guarantee to Franchisor and to Franchisor's affiliates, successors and assigns the payment by Franchisee named in the Satellite Franchise Agreement, its successors and assigns (the Franchisee), of all fees required to be paid to Franchisor or its affiliates, whether provided for in the Satellite Franchise Agreement or under any other agreement between Franchisor and the Franchisee, and the performance by the Franchisee of all of the provisions of all such Agreements for and during the term of the Satellite Franchise Agreement and all renewals thereof. The undersigned further specifically agree to be individually bound by all covenants, obligations, and commitments of the Franchisee contained in the Satellite Franchise Agreement to the same extent as if each of the undersigned had individually been named as the Franchisee in the Satellite Franchise Agreement and had individually executed the Satellite Franchise Agreement.

The undersigned understand and agree that any modification of the Satellite Franchise Agreement, including any addendum or addenda thereto, or waiver by Franchisor of the performance by the Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of the Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Satellite Franchise Agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect, or diminish the validity of this Guaranty, except to the same extent, but only to such extent that the liability or obligation of the Franchisee is so released, terminated, affected, or diminished. Notice to the undersigned of any such modification, waiver, extension, or forbearance under the terms thereof is waived. This Guaranty shall be enforceable with respect to a default of the Franchisee upon ten (10) days' written notice by Franchisor to any of the undersigned of any default by the Franchisee of any of its covenants under the terms of the Satellite Franchise Agreement and addendum or addenda thereto, or any other agreement between the Franchisee and Franchisor.

The undersigned hereby waive any and all notice of default on the part of the Franchisee; waive exhausting of recourse against the Franchisee; and consent to any assignment of the Satellite Franchise Agreement, in whole or in part, that Franchisor or its assignees may make.

Signature: _____

Dated: _____

Signature: _____

Dated: _____

EXHIBIT 1
TO
BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT

This Exhibit refers to the Satellite Franchise Agreement dated _____ (the Agreement), by and between BREADSMITH FRANCHISING, INC., a Wisconsin corporation (Franchisor) and _____ (Franchisee), and is made a part thereof.

Pursuant to Paragraph I. A. of the Agreement, Franchisee has selected and Franchisor has approved a designated site for a BREADSMITH satellite store to be operated by Franchisee. The site is
at _____ .
Franchisee acknowledges that it has conducted its own independent investigation of this site and the surrounding area and has selected the site as the location for its BREADSMITH satellite store. Franchisee further acknowledges that in approving the site Franchisor is making no representations or guarantees whatsoever as to the viability of the site.

This Exhibit has been entered into and agreed to as of the ___day of _____ ,

FRANCHISOR:

BREADSMITH FRANCHISING, INC.,
a Wisconsin corporation

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

By:_____

Name:_____

EXHIBIT 2
TO
SATELLITE FRANCHISE AGREEMENT
COLLATERAL ASSIGNMENT OF LEASE AGREEMENT

TABLE OF CONTENTS

Paragraph 1: ASSIGNMENT
- a. Default of Lease
- b. Default of Franchise Agreement
- c. Non-Exercise of Option to Renew or Extend
- d. Sale of Satellite Store
- e. Non-Renewal of Franchise Agreement

Paragraph 2: CONSENT TO ASSIGNMENT

Paragraph 3: EXERCISE OF OPTION BY FRANCHISOR

Paragraph 4: TERMINATION OF RIGHTS OF FRANCHISEE

Paragraph 5: ACCESS TO PREMISES BY FRANCHISOR

Paragraph 6: INDEMNIFICATION

Paragraph 7: REMEDIES CUMULATIVE

Paragraph 8: NOTICES
- a. Writing
- b. Change of Address
- c. Mailed Notice

Paragraph 9: MISCELLANEOUS
- a. Injunction
- b. Further Acts
- c. Heirs and Successors
- d. Entire Agreement
- e. Waiver
- f. Validity
- g. Headings and Table of Contents
- h. Execution by Franchisor
- i. Attorney's Fees

Paragraph 10: GOVERNING LAW

Exhibit A — Copy of Franchisee's Actual Lease

BREADSMITH FRANCHISING, INC.

COLLATERAL ASSIGNMENT OF LEASE AGREEMENT

THIS COLLATERAL ASSIGNMENT OF LEASE AGREEMENT is made this _____ day of_____ , 20 ____ , by and between BREADSMITH FRANCHISING, INC. (hereinafter called "Franchisor") and _____ (hereinafter called "Franchisee") and _____ , (hereinafter called "Landlord") involving the BREADSMITH satellite store (hereinafter called "Satellite Store") located at _____ (hereinafter called "Franchise Location"), with reference to the following facts:

A. On _____ , 20___ , Franchisee and Landlord entered into a Lease Agreement (hereinafter called "Lease"), a fully executed copy of which is attached hereto as Exhibit A, pursuant to the terms of which Franchisee leased the Franchise Location from Landlord to operate the Satellite Store thereon.

B. On _____ , 20___ , Franchisor and Franchisee executed a Satellite Franchise Agreement pursuant to the terms of which Franchisee obtained a franchise from Franchisor to operate the Satellite Store at the Franchise Location. ("Franchise Agreement")

C. Franchisor, Franchisee, and Landlord desire to enter into this Agreement to define the rights of Franchisor in and to the Franchise Location and to protect the interests of Franchisor in the continued operation of the Satellite Store at the Franchise Location during the entire term of the Lease, and any and all renewals and extensions thereof, and Landlord desires to consent to this assignment on the terms and conditions set forth herein.

NOW, THEREFORE, IT IS AGREED:

1. ASSIGNMENT.

Franchisee hereby assigns, transfers, and conveys to Franchisor all of Franchisee's right, title, and interest in and to the Lease; however, this assignment is for collateral purposes and shall become effective only upon Franchisor's exercise of the option granted to Franchisor in Paragraph 3 herein subsequent to the occurrence of any of the following events:

a. Default of Lease.

If Franchisee shall be in default in the performance of any of the terms of the Lease, unless such default is cured within the period required in the Lease or within thirty (30) days following written demand given by Franchisor, whichever is sooner.

b. Default of Franchise Agreement.

If Franchisee shall be in default in the performance of any of the terms of the Franchise Agreement, or upon the occurrence of any acts that would result in termination of the

Franchise Agreement as specified in the Franchise Agreement. Franchisee acknowledges that any default in the Lease which remains uncured for thirty (30) days shall also constitute a default of the Franchise Agreement.

c. Non-Exercise of Option to Renew or Extend.

Franchisee agrees that it shall elect and exercise all options to extend the term or renew the Lease upon not less than thirty (30) days prior to the last day that said option must be exercised, unless Franchisor otherwise agrees in writing. Upon failure of Franchisor to otherwise agree in writing, and upon failure of Franchisee to so elect to extend or renew the Lease as aforesaid, Franchisee hereby irrevocably appoints Franchisor as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name place and stead of Franchisee for the sole purpose of effecting such extension or renewal.

d. Sale of Satellite Store.

Upon Franchisee's sale of its entire right, title, and interest in and to the Satellite Store conducted at the Franchise Location as a going concern.

e. Non-Renewal of Franchise Agreement.

If Franchisee fails to exercise an option to renew the Franchise Agreement.

Except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising in connection with this assignment or the Lease unless Franchisor shall take possession of the Franchise Location pursuant to the terms hereof and shall expressly agree in writing to assume the obligations of Franchisee thereunder.

2. CONSENT TO ASSIGNMENT.

Landlord hereby consents to this assignment, which consent shall remain in effect during the entire term of the Lease and any and all renewals or extensions thereof, and agrees that the Lease shall not be amended, modified assigned, extended, surrendered, terminated or renewed, nor shall the Franchise Location be sublet by Franchisee, without the prior written consent of Franchisor. Landlord agrees to provide Franchisor with copies of any notice of Franchisee's default.

3. EXERCISE OF OPTION BY FRANCHISOR.

Franchisor may exercise the option granted herein, and thereby make this assignment unconditional, by giving written notice to Franchisee and Landlord of its exercise of said option in the manner specified in Paragraph 7 hereof and by thereafter delivering to Landlord, within ten (10) business days after Landlord requests the same, a written assumption of the obligations of the Lease.

Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the option granted herein, to assign and transfer its rights under this Agreement to a new Franchisee selected by Franchisor to operate the Satellite Store with the prior written consent of

Landlord, which shall not be unreasonably withheld, provided that such new Franchisee shall have a credit rating and a net worth adequate for the operation of the Satellite Store. In such event, such new Franchisee shall obtain the assignment of the Lease and shall assume the obligations of the Lease in place and instead of Franchisor and Franchisor shall be released from liability under the Lease from and after the date such new franchisee assumes the Lease.

4. TERMINATION OF RIGHTS OF FRANCHISEE.

Upon the exercise of the option granted to Franchisor herein, Franchisee shall no longer be entitled to the use or occupancy of the Franchise Location; all of Franchisee's prior rights in and to the Lease will have been, in all respects, terminated, and, by the terms of this Agreement, assigned to Franchisor, or its assignee; and Franchisee shall immediately vacate the Franchise Location. If Franchisee shall fail or refuse to take any of these actions, Franchisor shall have the right to expel Franchisee from the Franchise Location and to enter the Franchise Location and take possession of the Franchise Location.

5. ACCESS TO PREMISES BY FRANCHISOR. Franchisee and Landlord shall permit Franchisor and its employees and agents to access the premises at any time upon reasonable notice, at which time Franchisee or Landlord will provide Franchisor with access to the premises. Franchisor shall have the specific right to enter the premises upon default by Franchisee under the Franchise Agreement or any other agreement between Franchisor and Franchisee to secure or remove any personal property of Franchisee or Franchisor.

6. INDEMNIFICATION.

Franchisee hereby agrees to indemnify and hold Landlord and Franchisor harmless from and against any and all loss, costs, expenses (including attorney's fees), damages, claims, and liabilities, however caused, resulting directly or indirectly from or pertaining to the exercise by Franchisor and/or Landlord of the rights and remedies granted under this Agreement.

7. REMEDIES CUMULATIVE.

The remedies granted pursuant to this Agreement are in addition to and not in substitution of any or all other remedies available at law or in equity to Franchisor.

8. NOTICES.

a. Writing.

All notices, requests, demands, payments, consents, and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given three (3) days after being sent by registered or certified United States mail, postage prepaid, addressed as follows:

FRANCHISOR: BREADSMITH FRANCHISING, INC
409 E. Silver Spring Drive, Suite U11
Whitefish Bay, Wisconsin 53217

FRANCHISEE:

LANDLORD:

b. Change of Address.

Any party may change its address by giving notice in writing of such change of address to the other parties.

c. Mailed Notice.

Mailed notices shall be deemed communicated within three (3) days from the time of mailing if mailed as provided in this Paragraph 7.

9. Miscellaneous.

a. Injunction.

Franchisee and Landlord recognize the unique value and secondary meaning attached to BREADSMITH, its Names, trademarks, trade names, service marks, insignia and logo designs, and the Franchise Location displaying same, and agree that any non-compliance with the terms of this Agreement will cause irreparable damage to Franchisor and its franchisees. Franchisee and Landlord therefore agree that in the event of any non-compliance with the terms of this Agreement, Franchisor shall be entitled to seek permanent and temporary injunctions from any court of competent jurisdiction in addition to any other remedies prescribed by law.

b. Further Acts.

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

c. Heirs and Successors.

This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors, an assigns.

d. Entire Agreement.

This Agreement represents the entire understanding between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written, except any other agreement executed by Franchisor, Landlord, and Franchisee, or any other agreement between Franchisor and Franchisee, and except those disclosures given in the Franchise Disclosure Document. This Agreement may only be modified in writing. The parties intend this Agreement to be the entire integration of all of their agreements of any nature. No other agreements, representations, promises, commitments, or the like, of any nature, exist between the parties, except as set forth or otherwise referenced herein.

e. Waiver.

Failure by any party to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance.

f. Validity.

Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portion and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in effect.

g. Headings and Table of Contents.

The headings and table of contents used herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders; the singular shall include the plural, and the plural, the singular.

h. Execution by Franchisor.

This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor.

i. Attorney's Fees.

If Franchisor becomes a party to any litigation concerning this Agreement by reason of any act or omission of Franchisee and/or Landlord or their authorized representatives and not by any act or omission of Franchisor or any act or omissions of its authorized representatives, Franchisee shall be liable to Franchisor for reasonable attorney's fees and court costs incurred by Franchisor in the litigation.

If any party commences an action against any other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorney's fees and costs of suit.

10. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal laws of the state of Wisconsin; however, if this Agreement concerns a Satellite Store location in a state other than such state and the laws of that state require terms other than those or in addition to those contained herein, then this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition of unenforceability without invalidating the remaining provisions of this Agreement. Any prohibition against or

unenforceability of any provisions of this Agreement in any jurisdiction, including the state whose laws govern this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, Franchisee and Landlord waive any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

IN WITNESS WHEREOF, the parties have executed this Agreement at _____ _____ , on the date first above written.

BREADSMITH FRANCHISING, INC.

By:_____

Title: _____

(typed or printed name and title)

FRANCHISEE:

(name of entity)

By: _____

Title:_____

(typed or printed name and title)

LANDLORD:

(name of entity)

By: _____

Title: _____

(typed or printed name and title)

EXHIBIT 3 TO SATELLITE FRANCHISE AGREEMENT

GENERAL RELEASE

In consideration for the consent of BREADSMITH FRANCHISING, INC. (Franchisor), to the assignment by _____(Franchisee) of its interest in that certain Satellite Franchise Agreement dated _____ , between Franchisor and Franchisee, Franchisee hereby remises, releases, and forever discharges Franchisor, its officers, directors, employees and agents, and their respective successors, assigns, heirs and personal representatives, from all debts, covenants, liabilities, actions, and causes of action of every kind and nature, including but not limited to those arising out of or existing under the Satellite Franchise Agreement, the offer and sale thereof, and out of the franchise relationship between the parties hereto, whether in law or in equity, from the beginning of time to the date hereof. Franchisee acknowledges that this Release is intended to be a general release and is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released.

This Release has been entered into and agreed to as of the ____ day of _____,

FRANCHISEE:

By:_____

Print Name:_____

By:_____

Print Name:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
REQUIRED BY
THE CALIFORNIA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to all Breadsmith™ franchises offered and sold in the state of California:

1. Section XIX of the Agreement, under the heading "Non-Competition," shall be supplemented by the addition of the following paragraph:

C. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to California Law. Franchisor does not know whether the obligations in this Section XIX are enforceable under California Law.

2. Section XXI of the Agreement, under the heading "Default by Franchisee," shall be supplemented by the addition of the following paragraphs:

The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043), provides franchisees with additional rights concerning termination and non-renewal of this Agreement and certain provisions of this Agreement relating to termination and nonrenewal may be superseded by the Act.

Provision A. 1. of this Section may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

3. Section XXVII of the Agreement, Section or any Section that requires a disclaimer for a representation shall not relate to any representations made by BFI in the Franchise Disclosure Document provided by BFI to the Franchisee prior to the execution of the Agreement.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., A Wisconsin Corporation	_____
By:_____	By:_____
Its: _____	Its:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
REQUIRED BY THE ILLINOIS FRANCHISE DISCLOSURE ACT

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____ ("Franchisee").

1. No provision of the Agreement will constitute a waiver of any right concerning governing law, jurisdiction, venue and choice of law conferred upon Franchisee by the Illinois Franchise Disclosure Act. The Illinois Franchise Disclosure Act will govern the Agreement with respect to Illinois Franchisees.

2. In any mediation involving a franchise purchased in Illinois, the mediation site shall be in the State of Illinois.

3. Illinois law shall apply and the venue of litigation shall be in the State of Illinois.

4. Franchisor shall not require a general release upon transfer of the franchise.

5. Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this act is void." This may void certain provisions of the Franchise Agreement including but not limited to Section XXIV(c).

6. The Agreement is subject to Sections 19 and 20 of the Illinois Franchise Disclosure Act as to the conditions of termination or non-renewal of the Agreement.

7. Franchisor is required to provide Franchisee with an Disclosure Document the earlier of (i) the first personal meeting with Franchisor; (ii) fourteen (14) business days prior to signing any franchise or related agreement; or (iii) fourteen (14) business days before any payment by Franchisee.

8. The Initial Franchise Development Fee will be due upon the when Franchisor has completed all of its pre-opening obligations to the Franchisee. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

To the extent this Addendum shall be deemed to be inconsistent with any term or conditions of the Agreement or Exhibits or attachments, the terms of the Illinois Franchise Disclosure Act as stated in this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ____ day of _____, 20__.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., a Wisconsin corporation	_____
By:_____	By: _____
Its: _____	Its: _____

ADDENDUM
BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor" or "BFI") and_____ ("Franchisee").

1. The geographical limitation not to compete contained in Section XIX may be limited by Indiana Code 23-2-2.7-1(9).

2. Any general release require to be executed by the Franchisee as a condition to renewal or assignment of the Agreement will comply with Indiana Code Section 23-2-2.7-1(5) and will not apply to any liability under Indiana Code Section 23-2-2.5.

3. Section XXVII of the Agreement shall not relate to any representations made by BFI in the Franchise Disclosure Document provided by BFI to the Franchisee prior to the execution of the Agreement.

4. The provisions of Section XXIV(G) of the Agreement shall not apply to the extent that such provision are in conflict with Indiana Code 23-2-2.7-1(10).

5. To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement or the exhibits and attachments thereto, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ____ day of _____, 20__.

Franchisor:

BREADSMITH FRANCHISING, INC.,
a Wisconsin corporation

By: _____

Its: _____

Franchisee:

By: _____

Its: _____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
REQUIRED BY THE
MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____ ("Franchisee").

1. Pursuant to COMAR 02.02.08.16L, 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.

2. Pursuant to Section 14-226 of the Maryland Franchise Registration and Disclosure Law, the acknowledgements made by the Franchisee contained in Section XXVII and Section XXVI of the Franchise Agreement will not be construed to as a release, estoppel, or waiver of the Franchise's rights or Franchisor's liability under the Maryland Franchise Registration and Disclosure Law.

3. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section XXI of the Agreement, under the heading "Default by Franchisee," shall be supplemented by the addition of the following paragraphs:

Provision A. 1. of this Section may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

5. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

To the extent this Addendum is deeded to be inconsistent with any terms or conditions of the Agreement, the terms of this Addendum will govern. All other terms and conditions of the Agreement will remain the same.

Franchisor:
BREADSMITH FRANCHISING, INC.,
a Wisconsin corporation

By:_____

Its: _____

Franchisee:
_____

_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
REQUIRED BY THE
MINNESOTA FRANCHISE LAW

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____.

1. Any release executed in connection with the Franchise Agreement shall not apply to any claims arising under Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22, providing that a franchisee cannot be required to asset to a release, assignment, or waiver that would relieve any person from liability imposed by such statutes; provided, however, that this shall not bar the voluntary settlement of disputes.

2. With respect to the franchises governed by Minnesota law, we will comply with Minnesota Statute Sec. 80C.14, subdivisions 3, 4 and 5 which, except in certain specific cases, that we give you 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

3. No action may be commenced against us pursuant to Minn. Stat. §80C.17 more than three years after the cause of action accrues.

4. Minnesota Statute Sec. 80C.21 and Minnesota Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota States, Chapter 80C, or your rights to a jury trial or any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

5. We agree to protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., a Wisconsin corporation	_____
By:_____	_____
Its: _____	

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
REQUIRED BY
THE NEW YORK GENERAL BUSINESS LAW

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to all Breadsmith™ franchises offered and sold in the state of New York:

1. The last paragraph of Section VII.D of the Agreement, under the heading "Names and Marks," shall be deleted in its entirety and following shall be substituted in lieu thereof:

> Franchisee must notify Franchisor immediately in writing of any apparent infringement of or challenge to Franchisee's use of any Name, or claim by any person of any rights in any Name or any similar trade name, trademark or service mark of which Franchisee becomes aware. Franchisee may not communicate with any person other than Franchisor and its 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 or to otherwise protect and maintain its interest in the Names. Franchisor shall not be obligated to defend Franchisee against the claim of a third party that the operation of the business or Franchisee's use of the Names infringes any right of the third party and Franchisor shall not be obligated to protect, indemnify or hold harmless Franchisee from the consequences of any such claim or litigation. In the event Franchisor does not take action, Franchisee will have to protect itself at its own expense.

2. Section XIII of the Agreement, under the heading "Indemnification," shall be supplemented by the addition of the following sentence:

> However, Franchisee shall not be required to indemnify Franchisor for any claims arising out of a breach of this Agreement by Franchisor or other civil wrongs of Franchisor.

3. Section XIX of the Agreement, under the heading "Non-Competition," shall be supplemented by the addition of the following at the end of the last paragraph in lieu of the last sentence thereof:

> Therefore, Franchisee hereby allows Franchisor to apply for an injunction prohibiting any conduct by Franchisee in violation of the non-competition covenants contained herein.

4. Section XXVI.K of the Agreement, under the subheading "Assignment by Franchisor," shall be deleted in its entirety and the following shall be substituted in lieu thereof:

> J. This Agreement is fully assignable by Franchisor and shall inure to the benefit of any assignee or other legal successor to the interest of Franchisor herein. However, no assignment shall be made except to an assignee who, in the good faith

judgment of Franchisor, is willing and able to assume Franchisor's obligations under this Agreement.

5. The first paragraph of Section XXVI.O of the Agreement, under the subheading "Governing Law," shall be deleted in its entirety and the following shall be substituted in lieu thereof:

> Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Wisconsin; excluding only such claims as Franchisee may have that have arisen under the New York State General Law. Notwithstanding the foregoing, the parties agree that if Franchisee is not a Wisconsin resident, and if Franchisee's store is not physically located in Wisconsin, then the provisions of the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law shall not apply to this transaction or this Agreement. However, the foregoing choice of law should not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC.,	_____
By:_____	_____
Its: _____	

ADDENDUM
BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor" or "BFI") and_____ ("Franchisee").

1. No provision of the Agreement will constitute a waiver of any right concerning governing law, jurisdiction, venue and choice of law conferred upon Franchisee by the North Dakota Franchise Investment Law. The North Dakota Franchise Investment Law will govern the Agreement with respect to North Dakota Franchisees.

2. In any mediation involving a franchise purchased in North Dakota, the mediation site shall be in the State of North Dakota.

3. North Dakota law shall apply and the venue of litigation shall be in the State of North Dakota.

4. Pursuant to Section 51-19-06 of the North Dakota Franchise Investment Law, SECTION 15.C(5) of the Agreement will be amended to provide that any general release required to be executed by the Franchisee as a condition to renewal of the Agreement will not apply.

5. The provisions of Section XIX of the Agreement shall not apply to the extent that such provision are in conflict with Section 9-08-06 of the North Dakota Century Code and Section 51-19-09 of the North Dakota Franchise Investment Law.

6. Section XXIV.C and XXIV.D are deleted in their entirety.

7. Section XXVI.E. is amended by deleting the one (1) year requirement to bring a claim. It is hereby agreed that the Statutes of Limitations for the state of North Dakota will apply to disputes under this Agreement.

8. To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement or the exhibits and attachments thereto, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ____ day of _____, 20__.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., A Wisconsin Corporation	
By: _____	By: _____
Its: _____	Its: _____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
REQUIRED FOR SOUTH DAKOTA FRANCHISEES

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____ ("Franchisee").

1. Section III A of the Franchise Agreement is replaced with the following:

   Minimum Development Fee. The Initial Franchise Development Fee is Five Thousand Dollars ($5,000.00). You must pay us this fee when you open for business. The Initial Franchise Development Fee is paid in consideration of the rights granted in the Agreement and will be deemed fully earned at the time paid. You acknowledge that we have no obligation to refund the Franchise Fee, in whole or in part, for any reason.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Agreement.

3. Except as expressly modified by this Addendum, the Agreement remains unmodified and in full force and effect.

Breadsmith Franchising, Inc.:	**FRANCHISEE:**
By:_____	By:_____
Print Name: _____	Print Name:_____
Title:_____	Title:_____

ADDENDUM TO THE BREADSMITH FRANCHISING, INC.
SATELLITE FRANCHISE AGREEMENT
REQUIRED BY THE
FRANCHISE INVESTMENT PROTECTION ACT OF WASHINGTON

Notwithstanding anything to the contrary set forth in the Breadsmith Franchising, Inc. Satellite Franchise Agreement (the "Agreement"), the following provisions shall supersede and apply to The Franchise Agreement dated to the date hereof between Breadsmith Franchising, Inc. (the "Franchisor") and_____.

a. The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be Court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

b. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

c. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

d. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

e. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

f. Washington will require that the initial franchise fee be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

g. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when

annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Franchisor:	Franchisee:
BREADSMITH FRANCHISING, INC., a Wisconsin corporation	_____
By:_____	_____
Its: _____	

EXHIBIT G

STATE ADDENDA

ADDENDUM TO CALIFORNIA
BREADSMITH FRANCHSING, INC.
FRANCHISE DISCLOSURE DOCUMENT

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

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.

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of franchise be delivered together with the disclosure document.

Neither BREADSMITH nor any person described in Item 2 of the UFOC 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. 8.78(a) et seq. suspending or expelling SUCH persons from membership in SUCH association or exchange.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Section 31125 of the California Corporations Code requires us to give you a disclosure document approved by the Commissioner of the Department of Financial Protection and Innovation before asking you to agree to a material modification of an existing franchise agreement.

The California Business and Professions Code Section 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement contains a waiver of punitive damages and jury trial provision. These provisions may not be enforceable in California.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The California Business and Professions Code Section 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement requires application of the laws of Wisconsin. This provision may not be enforceable under California law.

Our website 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.dbo.ca.gov.

ADDENDUM
BREADSMITH FRANCHISING, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void."

Payment of Initial Franchise/ Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

ADDENDUM
BREADSMITH FRANCHISING, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA

As a supplement to the information disclosed in this Disclosure Document, the following is amended:

Items 17 (c) is amended by deleting the requirement that Franchisee execute a general release upon renewal or transfer.

ADDENDUM
BREADSMITH FRANCHISING, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

As a supplement to the information disclosed in this Disclosure Document, the following is amended:

Item 17 (c) is amended by deleting the requirement that Franchisee execute a general release upon renewal or transfer.

Item 17 (w) is amended by adding "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

Item 17 (w) is further amended by adding "Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

ADDENDUM TO MINNESOTA
BREADSMITH FRANCHISING, INC.
DISCLOSURE DOCUMENT

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. Any release executed in connection with the Franchise Agreement shall not apply to any claims arising under Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22, providing that a franchisee cannot be required to asset to a release, assignment, or waiver that would relieve any person from liability imposed by such statutes; provided, however, that this shall not bar the voluntary settlement of disputes.

2. With respect to the franchises governed by Minnesota law, we will comply with Minnesota Statute Sec. 80C.14, subdivisions 3, 4 and 5 which, except in certain specific cases, that we give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

3. No action may be commenced against us pursuant to Minn. Stat. §80C.17 more than three years after the cause of action accrues.

4. Minnesota Statute Sec. 80C.21 and Minnesota Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota States, Chapter 80C, or your rights to a jury trial or any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

5. We agree to protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

ADDENDUM TO NEW YORK
BREADSMITH FRANCHSING, INC.
FRANCHISE DISCLOSURE DOCUMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY.THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

With the exception of what is stated above, the following applies 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, during the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or been the subject of a civil action by alleging: a violation of any 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 franchises, 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 the "Summary" sections of Item 17(c), titled **"Requirements for a 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 the proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. 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.

5. The following is added to the end of "Summary" of Item 17(v), titled **"Choice of forum,"** and the 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 the franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts—Any sale made must be in compliance with §683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. §680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

ADDENDUM TO NORTH DAKOTA
BREADSMITH FRANCHSING, INC.
FRANCHISE DISCLOSURE DOCUMENT

1. Item17 (c) is amended by deleting the requirement that Franchisee execute a general release upon renewal.

2. Item 17 (r) is amended by adding the following "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

3. Item 17 (u) is amended by deleting the requirement that mediation of held in Wisconsin and replaced with the following "the place of mediation shall be agreeable to all parties."

4. Item 17 (v) is amended by deleting the requirement that Franchisee consent to jurisdiction of the courts of Wisconsin.

5. Item 17 (w) is amended by replacing the word "Wisconsin" with "North Dakota."

EXHIBIT H

STATE EFFECTIVE DATES

State Effective Dates

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

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

State	**Effective Date**
California	*Pending*
Illinois	*Pending*
Indiana	*Pending*
Maryland	*Pending*
Michigan	*Pending*
Minnesota	*Pending*
New York	*Pending*
North Dakota	*Pending*
South Dakota	*Pending*
Virginia	*Pending*
Washington	*Pending*
Wisconsin	*Pending*

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

EXHIBIT I

RECEIPTS

RECEIPT

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

If Breadsmith Franchising, Inc. 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 Breadsmith Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and to the appropriate state agency identified on Exhibit A.

State Specific Requirements:
Illinois, New York, and South Dakota:
If Breadsmith Franchising, Inc., offers you a franchise, Breadsmith Franchising, Inc., must provide this offering circular to you by the earliest of:

(1) The first personal meeting to discuss our franchise; or
(2) Ten business days before the execution of the franchise or other agreement; or
(3) Ten business days before any payment to Breadsmith Franchising, Inc. or any payment that relates to the franchise relationship.

Breadsmith Franchising Inc.'s sales agent for this offering is _____, whose address is _____ and whose telephone number is _____.

Breadsmith Franchising, Inc., authorizes the respective state agencies identified on Exhibit A to receive service of process for us in their state.

Issuance Date: March 9, 2023

I have received a Franchise Disclosure Document dated March 9, 2023 that included the following Exhibits and Attachments:

Exhibit A	List of State Agencies
Exhibit B	Tables of Contents of Manuals
Exhibit C	List of Franchises
Exhibit D	Financial Statements
Exhibit E	Franchise Agreement and Exhibits
Exhibit F	Satellite Franchise Agreement and Exhibits
Exhibit G	State Addenda
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date Disclosure Document Received: _____

Date Receipt Signed: _____

_____
Signature of Prospective Franchisee

_____
Printed Name

_____
Address

_____
City, State, Zip Code

_____
Area Code and Telephone Number

RECEIPT

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

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Exhibit I	Receipts

Date Disclosure Document Received: _____

Date Receipt Signed: _____

_____
Signature of Prospective Franchisee

_____
Printed Name

_____
Address

_____
City, State, Zip Code

_____
Area Code and Telephone Number