FRANCHISE DISCLOSURE DOCUMENT

COBS USA INC.

a Delaware corporation

Suite 210, 1100 Melville Street
Vancouver, British Columbia
Canada, V6E 4A6
Email: John.Gilson@cobsbread.com
Website: www.cobsbread.com

The Franchisee will operate a retail hot bread bakery under the tradename COBS Bread®.

The total investment necessary to begin operation of a COBS Bread standard franchise is from $487,390 to $838,790. This includes $462,290 to $682,790 that must be paid to the Franchisor for training and a turn-key operation. The total investment necessary to begin operation of a COBS Bread business lease franchise is from $74,590 to $205,790. This includes $13,500 to $23,500 that must be paid to the Franchisor for training and a turn-key operation.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact John Gilson, Vice President, at Suite 210, 1100 Melville Street, Vancouver, British Columbia, Canada V6E 4A6, (604) 296-3500.

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

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

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

Issuance Date: October 12, 2022

How to Use This Franchise Disclosure Document

Here are some question 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 Q.
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 R 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 by business be the only Pita Pit 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 Pita Pit franchisee?	Items 20 or Exhibit Q 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*

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

<u>Business model can change</u>. 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.

<u>Supplier restrictions</u>. 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.

<u>Operating restrictions</u>. 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.

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

<u>Renewal</u>. 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.

<u>When your franchise ends</u>. 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 B.

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. THE FRANCHISE AGREEMENT ENTITLES US TO BRING CERTAIN LEGAL ACTIONS AGAINST YOU IN NEW YORK CITY, NEW YORK OR WHERE YOU OR THE FRANCHISE ARE LOCATED. SUCH LITIGATION MAY BE INSTITUTED ON MATTERS AFFECTING OUR RIGHTS RELATING TO OUR TRADEMARKS, CONFIDENTIAL INFORMATION, ANY PAYMENT DEFAULT AND CERTAIN OTHER DEFAULTS, AND FOR PRELIMINARY INJUNCTIVE AND EQUITABLE RELIEF. OTHERWISE, THE FRANCHISE AGREEMENT REQUIRES THAT YOU SETTLE ALL DISPUTES WITH US BY ARBITRATION ONLY IN NEW YORK CITY, NEW YORK. OUT OF STATE LITIGATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE OR ARBITRATE WITH US IN NEW YORK THAN IN YOUR HOME STATE

2. THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS IT. NEW YORK LAWS MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. WE WERE INCORPORATED IN 2014. WE ARE RELYING ON THE EXPERIENCE OF OUR AFFILIATE IN CANADA IN MAKING MANY OF THE REPRESENTATIONS IN THIS DISCLOSURE DOCUMENT.

4. WE HAVE LIMITED FINANCIAL RESOURCES WHICH MAY ADVERSELY EFFECT OUR ABILITY TO MEET OUR OBLIGATIONS TO YOU.

5. YOUR SUCCESS IN OWNING AND OPERATING THE FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, YOUR INDEPENDENT BUSINESS ABILITY, EFFORTS, AND RESOURCES.

6. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM $74,590 TO $838,790. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF JUNE 30, 2022, WHICH IS NEGATIVE $581,669.

7. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us not you. We pay this person a fee for selling our franchise or referring us to you. You should be sure to do your own investigation of the franchise.

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

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

To simplify language in this Disclosure Document, “we”, “us” or “COBS Bread” means, COBS USA Inc., the franchisor. “You” means the person, limited liability company or corporation who buys the franchise and where applicable includes each Equity Owner. “Equity Owner” means any natural person who, directly or indirectly, owns an equity interest in the limited liability company or corporation that buys the franchise.

The Franchisor

We are a Delaware corporation formed on May 29, 2014. We currently do business under the names “COBS USA Inc.” and “COBS Bread”. We do not do business under any other name. Our principal business address is Suite 210, 1100 Melville Street, Vancouver, British Columbia, Canada V6E 4A6. Our telephone number is (604) 296-3500 and our fax number is (604) 294-6400. Our agents for service of process are set out in Exhibit A.

The Franchisor's Business

We were formed to franchise the COBS Bread business concept in the United States. The COBS Bread business concept involves a marketing plan and system for the development, opening and operating of a retail hot bread bakery (the “System”). We began offering COBS Bread franchises in 2014. We have never offered franchises in any other line of business.

The COBS Bread Franchise

Under our standard Franchise Agreement, we offer qualified purchasers the right to establish and operate, from a single location, a retail hot bread bakery, including on-premises baking. In this Disclosure Document, the franchised business will be referred to as the “Bakery Business”. The Franchise Agreement, gives you the right to operate the Bakery Business under the name and mark COBS Bread and all other current or future trade names, service marks, trademarks and related logos that we designate as part of the System. In this Disclosure Document, we will refer to these names, marks and logos as “Marks”. You must operate the Bakery Business in accordance with the standards and procedures that we establish, including those in our Operations Manual (the “Operations Manual”), which we may change during the term of the Franchise Agreement. The Bakery Business must offer products from the COBS Bread Menu, including products made from the proprietary recipes contained in our recipe book, all of which may change during the term of the Franchise Agreement.

Our current standard form of Franchise Agreement is attached as Exhibit C to this Disclosure Document. The additional provisions set out in Item 18 of Schedule A to the Franchise Agreement are binding on the parties and if inconsistent with the other terms of the Franchise Agreement override them. If your Item 18 provisions depart from the terms of our standard Franchise Agreement, they have been agreed to by us for your specific Bakery Business only and apply only while you remain a franchisee and are not assignable. State Amendments to the Franchise Agreement for certain franchise registration states can be found in Exhibit D to this Disclosure Document.

Each franchise is to operate a Bakery Business from a specific location (the "Bakery Premises") and within a specified area (the "Territory"). We will enter into a Head Lease for the Bakery Premises with the Landlord and will sublease the Bakery Premises to you. Our current standard form of Sublease is attached as Exhibit E to this Disclosure Document.

In some cases, at our discretion, we will acquire the business assets, such as machinery, equipment, removable fixtures, furnishings and signs required to operate the franchised business, and will enter into a combined sublease and business lease arrangement with you. This normally occurs after you have managed the specific COBS Bread Bakery location for up to 6 months, and in doing so have met certain agreed upon key performance indicators, such as average monthly sales, maximum cost of goods, maximum wages, and minimum operating profit, and have maintained the Bakery's 5 star status rating according to our criteria. When entering into such a management arrangement with us, you will have the option, subject to meeting the performance requirements, to enter into the combined sublease and business lease arrangement. Under this arrangement, in addition to the subletting of the Bakery Premises, we will also lease the Bakery Business to you. Our current standard form of Sublease and Business Lease is attached as Exhibit F to this Disclosure Document. The customary term for the Sublease and Business Lease is 12 months, but the term may be extended, in our discretion. The customary term of the corresponding Franchise Agreement that you will sign is also 12 months and no initial Franchise Fee will be payable. Our current standard practice is that a combined sublease and business lease arrangement is not transferable.

Under the sublease and business lease arrangement, you will have the option to purchase the Bakery Business from us as a going concern at a mutually agreed upon price under the terms of an Agreement for Sale of Business. At the same time, we will enter into a new Franchise Agreement with you for a normal term, upon your payment of our then-current initial Franchise Fee. We will also enter into a Sublease with you for the Bakery Premises, for a term expiring normally 1 day prior to the expiry of the Head Lease. Our current standard form of Agreement For Sale Of Business is attached as Exhibit G to this Disclosure Document. The Agreement For Sale Of Business is also used when we sell a corporate-owned Bakery to a franchisee as a going concern, in order to convert it into a franchised location. We may modify the Agreement For Sale Of Business to accommodate issues that are specific to each purchase and sale transaction.

We develop Bakery Premises and sell them as turn-key operations. Before developing the Bakery Premises under a standard franchise, we will require you to sign an Agreement of Commitment and pay a Commitment Fee. Then we will finalize the lease terms and secure a lease of the proposed Bakery Premises. Under the terms of the Agreement of Commitment and later the Franchise Agreement, we will construct and develop the Bakery Premises for you, as your agent, and at your cost and expense, on a turn-key basis. We provide an estimate of the turn-key costs and a budget to you. We retain full control of the appointment of contractors during the build-out process. Any cost over runs are your responsibility. Cost savings are also for your account. If we are unable to finalize the terms of a lease of the proposed Bakery Premises with the Landlord, we will refund the Commitment Fee to you less a Project Administration Fee (see Item 5 for details regarding these fees). If we finalize the terms of a lease for the proposed Bakery Premises and you do not execute our Franchise Agreement and Sublease within 30 days of our submitting the documents to you, we will be entitled to retain the

Commitment Fee. Our current standard form of Agreement of Commitment is attached as Exhibit H to this Disclosure Document.

In exceptional cases, at our discretion, we will provide some of your required financing by way of a Loan Agreement, with a General Security Agreement over your non-real estate assets as security for the loan. This financing is not available for sublease and business lease arrangements. Where your bank is providing the primary financing, we will normally agree that our General Security Agreement will rank second to the bank's security over your assets. Our current standard forms of Loan Agreement and General Security Agreement are attached as Exhibit I and Exhibit J respectively to this Disclosure Document.

In addition to laws and regulations that apply to businesses generally, the Bakery Business is subject to federal, state, county and local regulations governing food preparation and the sale of food. Federal, state, county and local environmental laws may affect the disposal of certain of your waste materials. The details of state, county and local laws and regulations vary from place to place. You should investigate the application of these laws further.

You will offer bread and other baked goods for sale to the public, including to local restaurants. The market for these products is highly developed. Your competitors will include independent bakeries, other franchised bakeries, specialty food stores, and large grocery and other retail chains with significant market power.

Parents, Predecessors and Affiliates

The following company is our parent:

Name and Address	Business
Bakers Delight Holdings Ltd., an Australian corporation Level 1, 293 Camberwell Rd. Camberwell VIC 3124	Operating retail bakeries in Australia and New Zealand since 1980. Offering retail bakery franchises in Australia and New Zealand under the name Bakers Delight since 1986. Licensing the COBS Bread trademark and other intellectual property to us and our affiliates.

Our parent has not offered franchises in any other line of business.

We have not acquired a majority of our assets from any person. Therefore, by definition, we do not have any predecessors. However, a now dissolved subsidiary of our Parent operated three corporately owned COBS Bread Bakery locations in Seattle, Washington between March 2007 and July, 2008. All of these locations were closed by us due to lack of sales.

The following company is our affiliate (that is, it controls, is controlled by, or is under common control with, us and either offer franchises or provide products or services to our franchisees):

Name and Address	Business
BD Canada Ltd., a Canadian corporation Suite 210, 1100 Melville Street, Vancouver, British Columbia, Canada V6E 4A6	Operating retail bakeries in Canada since 2003. Offering retail bakery franchises in Canada since 2005.

Our affiliate has never offered franchises in any line of business. We provide training at the franchised or corporately owned locations of our affiliate.

ITEM 2
BUSINESS EXPERIENCE

Director; Executive Chairman: Roger Gillespie

Mr. Gillespie cofounded Bakers Delight in 1980. He has served as Director and Executive Chairman for our parent, Bakers Delight Holdings Ltd., since April, 2004, in Melbourne, Victoria, Australia.

Executive Director: Lesley Gillespie

Ms. Gillespie cofounded Bakers Delight in 1980. She has served as Executive Director for our parent, Bakers Delight Holdings Ltd., since April, 2004, in Melbourne, Victoria, Australia.

President: Aaron Gillespie

Mr. Gillespie has served as President for our affiliate, BD Canada Ltd., since March 2014 in Vancouver, British Columbia, Canada. From September 2009 to February 2014, he served as Vice President for BD Canada Ltd. in Vancouver, British Columbia, Canada. From September 2003 to August 2009, he served as Regional Director for BD Canada Ltd. in Vancouver, British Columbia, Canada.

Group Chief Financial Officer: Hamish Ross

Mr. Ross has served as Group CFO for our parent, Bakers Delight Holdings Ltd., since June 2019, in Melbourne, Victoria, Australia. From June 2017 to May 2019 he served as Director of Investment and Strategy for Mandarin Oriental Hotel Group in Hong Kong, China. From June 2013 to May 2017 he served as Director of Corporate Finance for Mandarin Oriental Hotel Group in Hong Kong, China.

Vice President: John Gilson

Mr. Gilson has served as Vice President for BD Canada Ltd. since September 2009 in Vancouver, British Columbia, Canada. From March 2006 to August 2009, he served as Director of Property Purchasing & Franchising for BD Canada Ltd. in Vancouver, British Columbia, Canada.

Regional Director: Karen Michelle Frost-Spokes

Ms. Frost-Spokes has served as an Area Manager and Regional Director with oversight of operations and training for BD Canada Ltd. since April 2006 in Toronto, Ontario, Canada.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this disclosure document.

ITEM 4
BANKRUPTCY

No person previously identified in Items 1 or 2 of this disclosure document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or any foreign equivalent required to be disclosed in this Item.

ITEM 5
INITIAL FEES

The following fees and amounts are payable by you to us, or an affiliate, prior to your opening the Bakery Business:

Initial Training Fees

You will pay us $3,000 in advance of our initial orientation program. An additional $7,000 is payable to us upon completion of our initial orientation program, if both parties agree to continue the training program.

Commitment Fee

After you have completed our initial orientation program and both parties agree to continue the training program, you will be required to sign the Agreement of Commitment. Upon signing the Agreement of Commitment, you will pay us a Commitment Fee of $50,000. This Commitment Fee is intended as security for the initial Franchise Fee of $25,000, a $7,500 Project Management Fee and the other fees that you must pay us under the Franchise Agreement. The Commitment Fee will only be refunded if we are unable to finalize the terms of a Head Lease for the proposed Bakery Premises, less our legal and other direct expenses. If we finalize the terms of a Head Lease for the proposed Bakery Premises, the Commitment Fee will be credited towards amounts payable by you to us under the Franchise Agreement.

Payment for Turn-Key Operation

Once you sign the Commitment Agreement and pay the Commitment Fee, we will finalize the terms of, and enter into, a Head Lease for the Bakery Premises. We will then do everything that is necessary to develop the Bakery Premises so that it can be handed-over to you as a Turn-Key operation. This includes arranging for construction of the leasehold improvements, fit-out and signage, ordering and having equipment installed, ordering and having the POS System installed (including payment of the first month's license fee), obtaining permits and licenses, obtaining insurance for the first year, obtaining legal and other professional services, including design and architect services, relating to the development of the Bakery Premises and documentation of our franchise relationship with you. Details for each of these items are provided in Item 7. The total cost ranges from $452,290 to $672,790 (the "Turn-Key Costs"). These costs include (i) payments that we have made or will make to third parties, (ii) the Initial Franchise Fee of $25,000 payable to us, (iii) the Project Management Fee of $7,500 payable to us, (iv) a security deposit of between $0 and $20,000 and first month's rent of between $1,500 and $9,000, currently payable to the Landlord on our behalf and in the specific amounts required under the Head Lease, and (v) an initial advertising and marketing fund contribution to us of $5,000, which we will then use to conduct and support your opening promotion for the Bakery Business.

The Bakery Premises will be handed over to you shortly after you successfully complete our training program and you sign the Franchise Agreement (the "Handover Date"). An estimate of the Turn-Key Costs will be provided in the Franchise Agreement. You will have to pay this estimated amount in two stages: a down payment of usually 30% of the estimated Turn-Key Costs, less the Commitment Fee, will be due prior to us beginning construction of the bakery premises, and the balance of the estimated Turn-key Costs are to be paid on or before the Handover Date. If the actual Turn-Key Costs vary from the estimate, you will be responsible for any shortfall or will benefit from any overage.

Application of Commitment Fee

The Commitment Fee will be applied against all of the amounts payable to us on the Handover Date.

Initial Loan Payment

If you enter into a Loan Agreement with us, you will have to make an initial loan payment to us of between $500 and $10,000 depending on the amount of the loan and reimburse us for the costs of Uniform Commercial Code lien registration which are between $100 and $250. These payments are due on the last day of the month in which we turn the Bakery Premises over to you. Depending on when we turn the Bakery Premises over to you, these payments may be due before you open the Bakery Business to the public. The term of your loan, the interest rate we charge, and the amortization period for your loan will vary depending on your circumstances. The interest rate we charge is typically around 4% above the rate available from a commercial lender for this type of franchise. The exact amount of loan payments varies.

We expect that you will open the Bakery Business to the public a few days after the Handover Date.

Business Lease Franchise

If you are going to enter into a sublease and business lease arrangement with us, rather than our standard franchise arrangement, then you will not pay any of the initial fees described above prior to opening the Bakery Business to the public. However, you will pay us a security deposit of $10,000 and first month's rent of between $0 and $10,000 for the business assets on the commencement date of the Sublease and Business Lease. The exact amount of your monthly business asset rent will be determined by us based on the past performance of the specific location and its potential going forward.

You must pay any sales tax, use tax, gross receipts tax, or other excise tax imposed on your payments to us by the states where we, you or your franchise are located.

Unless specifically provided above, none of these initial fees are refundable.

Rewrite Fee

If you purchase an existing franchise, you will pay us a rewrite fee of $2,500 per year to extend the term of the franchise being purchased to a 10 year term (e.g. if there are 3 years left in the term of the franchise agreement for the franchise you are purchasing, you will pay us 7 x $2,500 = $17,500).

Note

You must fully cooperate with any system or policy implemented by us for the transfer of funds from your bank account to ours.

ITEM 6
OTHER FEES

Standard Franchises

TYPE OF FEE	AMOUNT	WHEN DUE	REMARKS (See Note 1)
TRANSFER FEES	A percentage of the gross sales price depending on the year of sale: Year 1 - 10% Year 2 – 9% Year 3 – 8% Year 4 – 7% Year 5 – 6% Year 6 and beyond – 5% Reimbursements of our legal costs An amount sufficient to pay your suppliers and A security retention sum of $10,000	At or prior to completion of your sale of the franchise	See Note 2
RENEWAL FEE	Our then current Franchise Purchase Fee (currently $25,000)	At or prior to renewal	See Note 3
RELOCATION COSTS	The costs associated with developing a new location as a Bakery Business	Upon completion	See Note 4

PLEASE NOTE THAT THE TABLES IN THIS ITEM 6 AND THE CORRESPONDING NOTES PROVIDE A GENERAL SUMMARY ONLY. YOU CAN ONLY OBTAIN A FULL UNDERSTANDING OF OUR FRANCHISE SYSTEM AND THE COSTS INVOLVED BY READING ALL FRANCHISE DOCUMENTATION COMPLETELY, AND OBTAINING INDEPENDENT LEGAL, ACCOUNTING, AND BUSINESS ADVICE IN RELATION TO YOUR PROPOSED INVESTMENT. ALSO, CERTAIN STATE OR FEDERAL LEGISLATION MAY AFFECT THE RESPECTIVE RIGHTS AND LIABILITIES UNDER THE VARIOUS AGREEMENTS TO WHICH YOU AND WE ARE BOTH PARTY.

Notes

(1) Except as described above or below, all fees are payable only to us, imposed and collected by us, non-refundable and uniformly imposed. You must fully cooperate with any system or policy implemented by us for the transfer of funds from your bank account to ours including executing pre-authorized payment forms. To secure your obligations to us, we will require you to sign a General Security Agreement granting us a security interest in all of your non-real estate assets. You should review our form of General Security Agreement (Exhibit J). We may revise our form of General Security Agreement to comply with the laws of the state where your property is located.

(2) All of these transfer fees are payable if we consent to your sale of the franchise. They are not applicable under a Sublease and Business Lease. The base transfer fee is equal to a percentage of the gross sale price of the franchised business. The percentage depends upon which year of the term of the Franchise Agreement the sale occurs in. For example, if the sale occurs in year 3 of the term of the Franchise Agreement, the base transfer fee is 8% of the gross sales price. The security retention sum of $10,000 will be held by us for 12 months to cover any further amounts owing, and then any remaining amount will be refunded to you.

(3) If we decide to renew the Franchise Agreement, we will notify you at least 3 months prior to its expiry date with the amount of the renewal fee and any other terms of renewal.

(4) If the Bakery Business is being relocated to new Bakery Premises and we are going to construct the new Bakery Premises for you, a Commitment Fee of $50,000 (which may be adjusted based on the estimated cost of the relocation project), and the Project Management Fee of $7,500, are payable to us when the Bakery Relocation Agreement is signed. The Project Management Fee is non-refundable. The Commitment Fee is refundable, less costs and expenses incurred by us, if you do not enter into the Franchise Agreement with us and either a Sublease or Sublease and Business Lease with us for the new Bakery Premises; or you do not commence the Bakery Business at the new Bakery Premises within 12 months of the date of the Bakery Relocation Agreement; or you do not make the required Settlement Payments to us (all of these amounts must be paid before you commence operating the Bakery Business at the new Bakery Premises) on the Handover Date, and as a result, we terminate all of the agreements. The Commitment Fee is applied to the Bakery Relocation Costs. You must pay any shortfall and will receive any overage. We currently do not have a standard form of Bakery Relocation Agreement.

Business Lease Franchises

TYPE OF FEE	AMOUNT	WHEN DUE	REMARKS (Notes 1 and 2)
BUSINESS ASSET RENT	Up to $10,000	1st of each month	See Item 5 and Note 3

TYPE OF FEE	AMOUNT	WHEN DUE	REMARKS (Notes 1 and 2)
COST OF BUSINESS ASSET INSPECTION AND REPAIR	Costs incurred by us or our agent	When incurred by us or our agent	See Note 4

Notes

(1) Except as described above or below, all fees are payable only to us, imposed and collected by us, non-refundable and uniformly imposed.

(2) If you initially enter into a Sublease and Business Lease with us and then exercise your option to purchase the business assets and the Bakery Business from us, the transfer, renewal and relocation fees listed above under Standard Franchises will become applicable to you.

(3) Payable if you enter into a Sublease and Business Lease with us. If we purchase new or replacement business assets during the term of the Sublease and Business Lease, the business asset rent will be adjusted upwards as a result of and based upon such additional amounts expended. You are encouraged to set aside monthly amounts to be applied toward the purchase of the business assets and Bakery Business from us at the end of the term (usually 12 months) of the Sublease and Business Lease.

(4) You must reimburse us or our agent for the costs of service calls and inspections of the business assets under the Sublease and Business Lease.

Both Franchises

TYPE OF FEE	AMOUNT	WHEN DUE	REMARKS)
ROYALTY	7% of Net Sales	Thursday of each week	See Note 1
ADVERTISING AND MARKETING CONTRIBUTION	3% of Net Sales	Thursday of each week	See Item 11
INSURANCE	\$1,500 to \$2,500 per year	Upon receipt of invoice	See Note 2
ADDITIONAL TRAINING COURSES	\$200 to \$400 per course For the additional courses specified in the Training Agreement (Food Safe, First Aid Level 1, etc.)	Upon receipt of our invoice for additional courses	

TYPE OF FEE	AMOUNT	WHEN DUE	REMARKS)
ADDITIONAL TRAINING OR ASSISTANCE	If you request, or we decide that you require, additional training or assistance (currently this fee is based on cost to us)	Upon receipt of our invoice for additional training or assistance	
LATE PAYMENT FEES	Interest at prime plus 3% and An administrative service fee of $50 per month	Immediately, if you fail to pay us any amounts	See Note 3
LATE REPORTING FEE	An administrative service fee of $50 per month	Immediately, if you fail to file any required report	
AUDIT	Our cost of examination and audit, including all costs of our employees and any outside accountant, auditor or representative You must also make-up any shortfall in your Royalty and Advertising and Marketing Contributions	Immediately if we examine your records; and immediately after audit, if Net Sales or Gross Sales are underreported by more than 1% for any period	
INDEMNIFICATION	All liability, damages and costs, including attorneys' fees, incurred by us or any other indemnified party, including by reason of your breach of any agreement, your conduct of the business, and your relationship with employees or non-compliance with workplace laws	Immediately, when incurred by us or any other indemnified party	
LIQUIDATED DAMAGES – NON-OPERATION	Amount of royalty and advertising and marketing contribution payable to us for the same trading day in the previous year plus 10%	Immediately, if you fail to operate the business	See Note 4

TYPE OF FEE	AMOUNT	WHEN DUE	REMARKS)
LIQUIDATED DAMAGES – NON-COMPETE BREACH	The amount of then current initial Franchise Fee (currently $25,000)	Immediately, if the Training Agreement is terminated and you breach any non-compete or confidentiality provisions	See Note 5
MANAGEMENT FEE	Based upon cost and expense recovery, plus cash deficit recovery	Payable monthly, if we take over management of the Bakery Business	See Note 6
RENT	Premises rent due under the Sublease or Sublease and Business Lease	1st of each month	See Note 7
BREADY FEE	$290 per month	Immediately upon receipt of monthly invoice	See Note 8
OVERHOLDING FEE	Equal to the then current initial Franchise Fee for a ten year term divided by 120 months	1st of each month	See Note 9
LATE PAYMENTS (SUBLEASE)	18% per annum, if you are late making any rent payment to us	Monthly	
LATE PAYMENTS (HEAD LEASE)	Our costs and expenses incurred under the Head Lease if you are late making payments under the Sublease	Monthly	
TAXES	Varies by State	Payable when fee is due	See Note 10

Notes

(1) Net Sales means the Gross Sales less sales tax and any other taxes relating to such sales. Gross Sales means the total dollar amount of all sales of goods in or from the Bakery Premises or in connection with the Bakery Business, whether for cash, credit or barter and including the proceeds of any business interruption insurance, and including sales tax and any other taxes relating to such sales.

(2) You must pay us the annual group insurance premiums, if you participate in the group insurance scheme organized and effected by us.

(3) You must pay these fees if you are late in paying us any money. Daily interest will be calculated on the amount outstanding until the day it is paid. The Default Interest Rate is

3 percentage points higher than the rate published by the Wall Street Journal as its "WSJ Prime Rate". If that rate is no longer published, the Default Interest Rate will be our principal bank's prime rate. The Default Interest Rate will not be greater than the maximum rate allowed by law in the state where the Bakery Business is located. You must also pay an administrative service fee of $50.00 per month for each calendar month, or portion thereof, in which you are in default.

(4) You must pay us liquidated damages for each permitted trading day or part trading day the franchised business is not operated. These damages are equal to the amount of the royalties and advertising and marketing contributions payable for the same trading day in the previous year plus 10%, or if not operating on such day, equal to the amount of the royalties and advertising and marketing contributions payable for the Franchisee's highest Gross Sales trading day.

(5) You must pay us liquidated damages, if the Training Agreement is terminated and thereafter you breach the non-compete or confidentiality provisions thereunder. These damages will be equal to the amount of our then current Franchise Purchase Fee (currently $25,000).

(6) You must pay us a monthly management fee, currently based upon cost and expense recovery plus cash deficit recovery, to us if we take over management of the franchised business for up to 12 months, in the event of death, permanent incapacity or disability of your Bakery Principal; separation of a couple constituting the franchisee or its principals; or if the Bakery Principal ceases to manage and devote full time and attention to the franchised business.

(7) Monthly premises rent under the Sublease or Sublease and Business Lease entered into with us, currently payable directly to the Landlord in the amounts and as required under the Head Lease.

(8) You must pay us a Monthly Point-of-Sale System software fee for use of such software (for which there is currently no formal form of Software Agreement).

(9) This fee applies in the event you continue to conduct the Bakery Business after the expiry of the term with our express or implied consent.

(10) You must pay any sales tax, use tax, gross receipts tax, or any other tax on your fee payments. Taxes may be payable to your country, state, county or town. If we are required to collect any taxes on your fee payments, you will pay them to us and we will forward payment to the appropriate taxing authority.

(11) For all ongoing payments to the Franchisor, the Franchisee will sign a Direct Debit Authorization in the Franchisor's prescribed form authorizing the Franchisor to debit the Franchisee's nominated bank account for the payment amounts. The Franchisor's current Franchisee Payment Policy, including standard form of Direct Debit Request and Authority is attached as Exhibit L to this Disclosure Document.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Standard Franchises

YOUR ESTIMATED INITIAL INVESTMENT					
Type Of Expenditure	**Amount** **From**	 **To**	**Method Of Payment**	**When Due**	**To Whom Payment Is To Be Made**
INITIAL FRANCHISE FEE	$25,000	$25,000	Wire transfer	Handover Date	Us
TRAINING FEE	$10,000	$10,000	Wire transfer	See Item 5	Us
TRAINING ATTENDANCE COSTS	$0	$15,000	As incurred	As incurred	Third parties and your employees
ADDITIONAL TRAINING COURSES	$200	$400	Direct debit	Upon completion	Us
BAKERY ESTABLISHMENT COSTS:					
CONSTRUCTION OF LEASEHOLD IMPROVEMENTS, FIT-OUT, SIGNAGE	$200,000	$320,000	Wire transfer	Handover Date	Us
EQUIPMENT	$180,000	$250,000	Wire transfer	Handover Date	Us
PROJECT MANAGEMENT FEE	$7,500	$7,500	Wire transfer	Handover Date	Us
LEGAL AND PROFESSIONAL FEES, INCLUDING DESIGN AND ARCHITECT FEES	$20,000	$35,000	Wire transfer	Handover Date	Us
UTILITIES DEPOSITS AND HOOK-UPS (NOTE 1)	$0	$45,000	Wire transfer	Handover Date	Us
PERMITS AND LICENCES	$3,000	$4,000	Wire Transfer	Handover Date	Us
MONTHLY SUBLEASE RENT	$1,500	$9,000	As required under Head Lease	As required under Head Lease	Landlord or us
SECURITY DEPOSIT	$0	$20,000	As required under Head Lease	As required under Head Lease	Landlord or us
POINT OF SALE SYSTEM INITIAL COST	$10,000	$17,000	Wire transfer	Handover Date	Us
FIRST MONTH'S BREADY LICENSE FEE	$290	$290	Wire transfer	Handover Date	Us
INVENTORY AND SUPPLIES	$4,000	$7,000	As required	As incurred	Third party suppliers

YOUR ESTIMATED INITIAL INVESTMENT					
Type Of Expenditure	**Amount** **From**	 **To**	**Method Of Payment**	**When Due**	**To Whom Payment Is To Be Made**
OPENING ADVERTISING AND PROMOTION	$5,000	$5,000	Wire transfer	Handover Date	Us
INSURANCE PREMIUMS FOR FIRST YEAR	$3,400	$3,600	Wire transfer	Handover Date	Us
ADDITIONAL FUNDS (SEE NOTE 2)	$17,500	$65,000	As required	As incurred	Us, third party suppliers, your employees
TOTALS	$487,390	$838,790			

Notes

(1) The amount shown above as the higher amount for utility deposits and hook-ups will normally occur where a higher amount is required because it will include the advance payment of the anticipated charges for the first few months of utilities usage.

(2) We estimate that you will require a minimum working capital of $17,500 to $65,000 (standard franchises) and $35,000 to $70,000 for the first 6 months of operation. Our estimate of minimum working capital is made on the assumption that the business will be operated directly by the controlling principal owner as general manager. No provision for taxes or interest on borrowed funds has been included in the working capital estimate. These amounts are merely estimates, predicated upon the assumption that the franchised business will have a start-up phase of 6 months during which it may not generate sufficient revenue to cover ongoing operating expenses. If, for any reason, sales are slow at the inception or during the first 6 months of operations, which may happen in certain locations, and is a possibility which should be taken into account in any new franchise, additional funds may be required to pay operating expenses until such time as the franchised business generates sufficient cash from operations to carry the operating and other expenses. This estimate includes 5 additional months of sublease payments (standard franchises) and 5 additional months of business lease payments (business lease franchises).

(3) In addition to the above amounts, if you require financing and enter into one or more Loan Agreements with lenders and, in some cases, with us, you will also have to make monthly loan payments, the amount of which will vary with the amount of the loan, its amortization rate, and the current interest rate, which may fluctuate. If you enter into a Loan Agreement with us, you will have to make an initial loan payment to us of between $500 and $10,000 depending on the amount of the loan. Your loan payments to us are due on the last day of the month in which we turn the Bakery Premises over to you. The term of your loan, the interest rate we charge, and the amortization period for your loan will vary depending on your circumstances. The interest rate we charge is typically around 4% above the rate available from a commercial lender for this type of franchise. The exact amount of loan payments varies. (See Item 10 for more details).

(4) Your initial investment amount will differ, and may vary upwards, if you are purchasing an existing bakery business as a going concern, instead of establishing a COBS Bread Bakery initially.

(5) The figures provided in this Item 7 are estimates for a "typical" Bakery Business and your actual initial investment may vary substantially depending upon location, area, premises, size of operation, economic conditions, and other factors. We have relied on our experience operating corporate stores and franchising in Canada to provide these estimates. There may be country and regional differences that we have not considered.

(6) The above figures do not include any applicable taxes, such as sale or use taxes.

(7) Unless specifically provided above, none of these payments are refundable.

Business Lease Franchises

YOUR ESTIMATED INITIAL INVESTMENT					
Type Of Expenditure	**Amount** **From**	**To**	**Method Of Payment**	**When Due**	**To Whom Payment Is To Be Made**
MONTHLY BUSINESS LEASE	$5,000	$10,000	Wire transfer	Handover Date	Us
BUSINESS LEASE SECURITY DEPOSIT	$10,000	$10,000	Wire transfer	Handover Date	Us
TRAINING FEE	$10,000	$10,000	Wire transfer	See Item 5	Us
TRAINING ATTENDANCE COSTS	$0	$15,000	As incurred	As incurred	Third parties and your employees
ADDITIONAL TRAINING COURSES	$200	$400	Direct debit	Upon completion	Us
UTILITIES DEPOSITS AND HOOK-UPS (NOTE 1 ABOVE)	$0	$45,000	Wire transfer	Handover Date	Us
PERMITS AND LICENCES	$200	$500	As required	Handover Date	Government entities
SUBLEASE RENT	$1,500	$9,000	As required under Head Lease	As required under Head Lease	Landlord or us
SECURITY DEPOSIT	$0	$20,000	As required under Head Lease	As required under Head Lease	Landlord or us
FIRST MONTH'S BREADY LICENSE FEE	$290	$290	Wire transfer	Handover Date	Us
INVENTORY AND SUPPLIES	$4,000	$7,000	As required	As incurred	Third party suppliers
OPENING ADVERTISING AND PROMOTION	$5,000	$5,000	Wire transfer	Handover Date	Us
INSURANCE PREMIUMS FOR FIRST YEAR	$3,400	$3,600	Wire transfer	Handover Date	Us
ADDITIONAL FUNDS (SEE NOTE 2 ABOVE)	$35,000	$70,000	As required	As incurred	Us, third party suppliers, your employees
TOTALS	$74,590	$205,790			

Notes

(1) The initial Franchise Fee, the bakery establishment costs and the point of sale system initial cost set out in the first chart of this Item 7 will only become payable, and will form part of the purchase price, if you exercise your option under the Sublease and Business Lease to purchase the business assets and the Bakery Business as a going concern. Upon exercising the option you will convert to a normal franchise arrangement including by entering into a new Franchise Agreement with us for the usual term and payment of the then-current initial Franchise Fee.

(2) In addition to the above amounts, if you require financing and enter into one or more Loan Agreements with lenders and, in some cases, with us, you will also have to make monthly loan payments, the amount of which will vary with the amount of the loan, its amortization rate, and the current interest rate, which may fluctuate. If you enter into a Loan Agreement with us, you will have to make an initial loan payment to us of between $500 and $10,000 depending on the amount of the loan. Your loan payments to us are due on the last day of the month in which we turn the Bakery Premises over to you. The term of your loan, the interest rate we charge, and the amortization period for your loan will vary depending on your circumstances. The interest rate we charge is typically around 4% above the rate available from a commercial lender for this type of franchise. The exact amount of loan payments varies. (See Item 10 for more details).

(3) The figures provided in this Item 7 are estimates for a "typical" Bakery Business and your actual initial investment may vary substantially depending upon location, area, premises, size of operation, economic conditions, and other factors. We have relied on our experience operating corporate stores and franchising in Canada to provide these estimates. There may be country and regional differences that we have not considered.

(4) The above figures do not include any applicable taxes, such as sale or use taxes.

(5) Unless specifically provided above, none of these payments are refundable.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to promote consistency, quality and uniformity throughout the entire franchise system, you are required to comply with our standards and specifications and our supplier requirements.

All products or services that you purchase or lease must comply with the standards and specifications in the Operations Manual. Included are standards and specifications for delivery, performance, design, appearance, grade and composition, and use of our Marks. We may amend these standards and specifications at any time without notice to you. If our use of a Mark is challenged and we decide to change it, we will pay your reasonable and direct costs to make the change, unless the infringement was due to a default by you under the Franchise Agreement.

In developing the Bakery Business as a turn-key operation, we will purchase or lease all of the fixtures, equipment, and signs from our approved suppliers, including the point-of-sale equipment and system. In operating the Bakery Business, you will be required to purchase all materials, ingredients, packaging supplies, uniforms, printing, communication and information technology services and certain other products and services from our approved suppliers. We will provide you with a list of approved suppliers. For some of these products we may designate one supplier from whom you must purchase. You may be required to enter into a written agreement with certain designated suppliers. We may add to or delete from the list of products and services that must be purchased from approved or designated suppliers.

To become approved, it is our policy that a supplier must: (a) demonstrate an ability to meet our standards and specifications; (b) possess adequate quality control and capacity to meet your needs properly and reliably; and (c) be financially stable. To become a designated supplier, an addition to the preceding requirements, the suppliers must also be capable of supplying the franchise system on a regional or national basis at prices that are more competitive than those of our current designated supplier, including any rebates that are payable to us.

If you want to purchase or lease from an unapproved supplier, it is our policy that you or the supplier must send us a written request for approval. Our representatives must be allowed to inspect the supplier's facility and we may require that samples from the supplier be delivered to us or to an independent consultant designated by us for testing. You or the supplier must pay our reasonable inspection costs and the actual testing costs. Our inspection costs may include round trip air fare from our headquarters to the supplier location in addition to all related travel expenses such as food, lodging and auto rental. The testing costs may include the expenses and fees of outside companies to evaluate nutritional components and quality of the food or other products. If a supplier meets our criteria for approval, we will not unreasonably withhold approval. After all required testing and inspection is completed, we will approve or disapprove your proposed supplier within 30 days. We may re-inspect the facilities and re-test the products of approved suppliers. If, at any time, an approved supplier fails to meet our criteria for approval, we may revoke our approval.

We maintain an insurance scheme for corporate owned and franchised locations with a third party broker. We will arrange for you to become part of this insurance scheme when we develop the Bakery Premises, at your cost. You are permitted to buy insurance outside this scheme but in our experience it is not cost effective.

Other than the fact that we provide Project Management for the development of the Bakery Premises, none of the approved or designated suppliers is related to or affiliated with us. For the fiscal year 2022, we earned $0 in revenue from Project Management. This represents 0% of our total revenue for that year which was $183,441. These figures were taken from our internal books and records. There are no approved or designated suppliers in which any of our directors or officers owns an interest.

If you enter into a sublease and business lease arrangement with us, then we will develop the Bakery Premises at our expense and you will pay us a monthly fee for use of those premises. There were no sublease and business lease arrangements in the United States in fiscal year 2022.

You may benefit from volume purchase arrangements made by us with particular suppliers, including price terms. You may also benefit from landlord contributions toward the cost of Bakery Business establishment, refurbishment or relocation improvement work carried out on the Bakery Premises. At the present time, we collect the full amount required for this work from you, and then pay any landlord contributions over to you when the monies have been received from the landlord. This usually occurs after the work has been completed. If any landlord contribution has to be repaid under the terms of the lease, then you will either repay us or the landlord, as directed by us. We do not provide you any other material benefits for using our designated and approved suppliers, except that the System benefits as a whole from consistent quality and reliable service.

The cost of products and services purchased in accordance with our standards and specifications and from approved suppliers represents 100% of your total purchases in connection with establishing the Bakery Business and 100% of your total purchases in connection with operating the Bakery Business.

There are no purchasing or distribution cooperatives.

We reserve the right to receive and retain as part of our general revenue direct or indirect compensation, such as mark-ups, rebates, discounts, allowances, brand support payments and other similar receipts and advantages, on account of the sale or rental by us, our affiliates, associates, franchisees, licensees or designated or approved suppliers of products, services, supplies, printed materials, forms, signs, equipment, fixtures or furnishings relating to the establishment or operation of the Bakery Business. We are not required to account or grant credit for this compensation to you, and may use or otherwise distribute such receipts and advantages as we see fit in our sole discretion.

We may receive such compensation in the form of rebates directly from the suppliers who supply ingredients and packaging to our franchisees and to us for our corporate-owned locations, which are designated for use at the franchised or corporate-owned locations.

Our current practice is to place these rebates and any brand support payments into a conference and development fund which is held and administered by us. The conference and development fund is accounted for separately from general revenues, but it is not maintained in a separate bank account by us.

The conference and development fund is used to pay some or all of the costs and expenses of providing training; promoting staff recruitment at COBS Bread Bakery locations, both franchised and corporate-owned; administering the approved supplier program; maintaining, issuing and updating the COBS Bread Bakery manuals and recipe books; subsidizing equipment costs; and providing additional support for the advertising and marketing fund.

We will provide you with an annual statement of the receipts and expenditures of the conference and development fund, within a reasonable time after the completion of our June 30 fiscal year end. The costs of providing the annual statement will be paid out of the conference and development fund.

Any surplus left in the conference development fund at the end of a fiscal year or at any other time may be distributed to and maintained by us for our own use, as stated above. We may, in our discretion, distribute a portion of any surplus in the conference and development fund to the advertising and marketing fund, or to our franchisees and any others who are contributors to the advertising and marketing fund, which if done will normally occur after completion of a fiscal year. At the present time, this is not contemplated.

Current rebates from suppliers are 2% of the cost of certain ingredients.

In the 2022 fiscal year, we received $9,662 in rebates from suppliers. This represents 5.3% of our total revenue for that year which was $183,441.

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 in this disclosure document.

OBLIGATION	SECTIONS IN FRANCHISE AGREEMENT	ITEMS IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	21, 31(dd), 33(k) and (l), 76-78; also see Schedule A, Item 5, Exhibits E, F, and H, and Exhibit K, Part 8	5, 7, 10 and 11
b. Pre-opening Purchases/ Leases	21, 31(dd), 33(k) and (l), 38 - 46, 57 - 74; also see Schedule A, Item 5, and Exhibits E, F, G and H	5, 7 and 8
c. Site Development and other pre-opening requirements	57 – 78; also see Schedule A, Items 12 and 13	5, 6, 7 and 11
d. Initial and On-going Training	9, 18 – 20, 29(b) and (e)(2), 31(j), (n), and (bb), 91(b), 112(a); also see Exhibits K and O	11
e. Opening	22(c),31(i), 91(i); also see Schedule A, Item 15	11
f. Fees	8, 13, 14(b), 17, 22-27, 31(l), (m), (n), (r) and (cc), 36(d), 54, 56, 59, 60, 66, 69(c), 70-74, 75(d)(3)-(5), 77(e), 87-89, 91(e) and (f), 101-102, 113(a) and (b), 127(b) and (c), 132(c), 140(l) and (m), 145(l), 147-151, 166, 177(b) and (d), 195; also see Schedule A, Items 9, 12, 13, 14, 15, 16, 17, 18 and Exhibits E, F, G, H and K	5, 6, 7, 10 and 17
g. Compliance with standards and policies/Operating Manual	3(e) and (g), 28, 31, 32, 33, 35, 36	8 and 11; also see Exhibits M and O
h. Trademarks and Proprietary Information	10, 28(a), 32, 33(e), 75(b), 81(c) 104 – 118, 121, 145(f), (g) and (i); also see Exhibits M and n, and Schedule A, Item	13 and 14

OBLIGATION	SECTIONS IN FRANCHISE AGREEMENT	ITEMS IN DISCLOSURE DOCUMENT
	7	
i. Restrictions on Products and services offered	3 (a) and (d), 28(a), (g), and (u)(4), 31(a), 33(a) and (b), 38 – 47	8 and 16
j. Warranty and Customer Service	3(e), 4, 28(b) and (u)(3), 33(h), 34-37, 94-96; also see Exhibit M	8, 11 and 16
k. Territorial Development and sales quotas	8, 11(a), 33(m); also see Schedule A, Item 8	12
l. Ongoing product/ service purchases	3(c), 24, 28(j), 31(a) and (h), 38 – 47	8
m. Maintenance, appearance and remodeling requirements	3(b), 28(h) and (u)(1-2), 31(a), (j) and (aa), 33(j), 75	6, 11 and 17
n. Insurance	27	5, 7 and 8
o. Advertising	28(g), 31(a), (f), (i), (v), (w), 33(m), 122(c), Schedule A, Item 15	6, 7 and 11
p. Indemnification	28(d)(2)(iii), 29(d), 64, 75(g), 77(g)(1), 87, 140(h)(1), 177(b)(1); also see Exhibits G and H	6
q. Owners participation/ management/ staffing	5, 25(q), (r), (s), and (t), 29, 31(s) and (t), 33(i), 80, 83, 87, 126-134	15
r. Records and Reports	22(j), 31(p), (q), (r), (t), (v) (x), (y), 31(v), 50 – 56, 97-99	6
s. Inspections and Audits	31 (p), (q), (r), (u), and (t), 34-37, 100-103	6
t. Transfer	11(b), 33(d), 84, 85, 124, 135-140; also see Schedule A, Item 18, and Exhibit G	17
u. Renewal	11(b), 13 – 17; also see Schedule A, Item 11	17
v. Post Termination obligations	16, 17, 33(l), 48-49, 79, 87 – 89, 108-109, 145-151	17
w. Non-competition Covenants	48 – 49	17
x. Dispute Resolution	154 – 175	17
y. Taxes	22(i), 25(b), 26, 148; also see Exhibits G and H	5 and 6

OBLIGATION	SECTIONS IN FRANCHISE AGREEMENT	ITEMS IN DISCLOSURE DOCUMENT
z. Guarantee	5, 6, 60, 64, 69(c), 71, 77(g), 86, 140(h)(1), 176 – 178; also see Schedule A, Item 3 and Exhibits E, F, G, H, I and J	10 and 15

ITEM 10
FINANCING

We offer only the following direct and indirect financing:

Sublease

We will enter into the Head Lease with the landlord for the Bakery Premises. The landlord is usually unrelated to us. You will enter into a Sublease (Exhibit E) for the Bakery Premises with us. The Sublease incorporates the landlord's form of Head Lease which will vary. Under most Head Leases, the Landlord has a right to approve any sublease. If approval is not obtained, the Sublease is null and void. We may have to vary the terms of the Sublease to obtain approval. The following chart and related notes describe the Sublease arrangement in more detail.

ITEM FINANCED (SOURCE)	AMOUNT FINANCED	DOWN PAYMENT	TERM (YEARS)	INTEREST RATE	MONTHLY PAYMENT / PREPAYMENT PENALTY	SECURITY REQUIRED	LIABILITY UPON DEFAULT	LOSS OF LEGAL RIGHTS ON DEFAULT
Bakery Premises are leased by us and subleased to you See Note 1	We do not finance an actual amount, but by entering the Head Lease we attempt to use our credit to obtain favorable terms that we pass on to you. We become directly responsible to pay the landlord under the Head Lease and you must pay us under the Sublease	The security deposit specified in the Head Lease (typically 2-3 months' rent) See Note 2	The term specified in the Head Lease (we try to negotiate a 10 year Head Lease)	The rent under the Head Lease is passed through to you (Note 1). There is no interest payable unless you default under the Sublease The default interest rate will be specified in the Head Lease	Monthly payments of rent as specified in the Head Lease (plus a lump sum payment to cover our costs for putting the Head Lease in place) Prepayment is N/A	See Down Payment You must provide security if you would like us to take action under the Head Lease Guaranty (See Note 3)	Default interest at the rate specified in the Head Lease See Note 4	See Note 5

Notes

(1) You must comply with the Head Lease and are responsible for all charges arising under it. You may have to purchase additional insurance. If the Head lease is terminated or expires, the Sublease expires. You must pay all taxes and other government assessments levied against the premises, improvements and the business carried on at the premises. You must pay our costs and provide us with security to enforce our remedies under the Head Lease. We recommend that you review the Head Lease carefully in advance of signing the Franchise Agreement.

(2) The Landlord may require a security deposit which we will obtain from you.

(3) We require the Bakery Principal to assume all obligations under the Sublease, jointly and severally with the Franchisee. The Guarantors must also guaranty the Sublease.

(4) If you default under the provisions of the Head Lease, we may charge you interest on unpaid amounts at 18%. We may also pay the rent on your behalf and charge it back to you along with our related costs and expenses. We may also terminate the Sublease, charge you 3 additional months' rent, and re-enter and repossess the premises if you do not immediately vacate. You must indemnify us for all liability arising from, or relating to, the Head Lease and the Bakery Premises. A default under the Sublease is a default under the Franchise Agreement and we may terminate your Franchise Agreement. If your Franchise Agreement is terminated for any reason, the Sublease expires. If we terminate the Sublease or it expires for any reason, you will remain liable for the balance of the payments under the Head Lease.

(5) You waive any right to claim a breach of the Franchise Agreement by us, or claim relating to the franchise relationship, as a defense to breaching your obligations under the Sublease. Each of the Guarantors waive any defenses to the enforcement of its guaranty by reason of (a) illegality or lack of validity or enforceability of the Sublease, (b) any law purporting to affect its guaranty, (c) any defense available to it under the Sublease, or (d) a failure of by us to enforce our rights against others. Our rights against you and the Bakery Principal stand ahead of the Guarantors rights against you and the Bakery Principal.

(6) You require our consent to assign the Sublease and remove assets from the Bakery Premises.

(7) We may take over the Bakery Business at any time and either operate it or rent it to someone else. This right is subject to any rights you may have under the Franchise Agreement.

Sublease and Business Lease Agreement

In our discretion, in appropriate circumstances, we may make it easier for you to enter into the franchised business, by entering into a short term (usually 12 months) Sublease and Business Lease Agreement (<u>Exhibit F</u>). Under this arrangement, in addition to subletting the Bakery Premises to you, we would purchase the business assets required to develop and operate the franchised business and rent them, along with the right to use the System, to you with an option to purchase. The following chart and related notes describe the lease of business assets component of the Sublease and Business Lease arrangement in more detail. The sublease component is the same as above.

ITEM FINANCED (SOURCE)	**AMOUNT FINANCED**	**DOWN PAYMENT**	**TERM (YEARS)**	**APR**	**MONTHLY PAYMENT / PREPAYMENT PENALTY**	**SECURITY REQUIRED**	**LIABILITY UPON DEFAULT**	**LOSS OF LEGAL RIGHTS ON DEFAULT**
All leasehold improvements and equipment required at the Bakery Premises will be purchased by us and leased to you See Note 1	Leasehold Improvements $200,000 to $300,000; Equipment $180,000 to $220,000; Bready System $10,000 to $17,000 Plus all other costs for development Total: $416,600 to $614, 800 (being the Turn Key Costs described in Item 5)	See Security Required and Note 2	12 months, but we may extend the term in our discretion You will then have the option to purchase the leased assets at a predetermined price See Note 2	See Note 3	Varies depending on the particular circumstances Lease (includes a lump sum payment to cover our costs for putting the Sublease and Business Lease in place) See Note 3 Payable by automated direct deposit	A cash deposit or letter of credit in an amount to be specified in the Sublease and Business Lease You may not put a lien on any of the leased assets	See Notes 4 and 5	See Note 5

Notes

(1) We will normally only enter into this arrangement if you have satisfactorily managed a Bakery Business for up to 6 months. You will have to provide us with a business plan and other information and meet specific performance requirements. You will have to pay all suppliers of ingredients and packaging within 7 days. We may require you to hire an approved bookkeeper or accountant. You must keep all leased assets in good repair, allows us access to the leased assets at all times, and reimburse us for our cost to inspect and service the leased assets. You must use the leased assets in compliance with all laws, related insurance policies and as recommended by the manufacturer, and notify us of any accident, defect or need for repair.

(2) You will have to save an amount of money to be specified in the Sublease and Business Lease before exercising your option to purchase the leased assets. This amount will be used as a deposit for the asset purchase. You will pay this deposit when you exercise the option and the balance of the purchase price when you take title. You will purchase the leased assets under our form of Agreement for the Sale of Business (Exhibit G) and enter into a new Franchise Agreement. You will be responsible for all taxes payable on transfer and our costs related to the transfer. The Guarantors will have to guaranty your obligations under the Agreement for the Sale of Business. If you default on any payment due under that agreement, you will pay us interest at 4% above the Wall Street Journal's "WSJ Prime Rate" on the outstanding amount and

we may accelerate all other payments. If we terminate the Agreement for the Sale of Business because you defaulted under another agreement with us, we may keep all deposits and other amounts that you have paid us. If you assign the Bakery Business after exercising your option, you will have to pay us a transfer fee. The transfer fee will be 10% of the total purchase price if assigned in the first year after exercising the option, and declining by 1% for each subsequent year through year 5. For year 6 and beyond, the percentage will remain at 5%, which is the same percentage as year 5.

(3) You will pay us a security deposit of $10,000 and first month's rent of between $0 and $10,000 on the commencement date of the Sublease and Business Lease. The exact amount of your monthly rent will be determined by us based on the past performance of the specific location and its potential going forward. The amount of your payment is not based on an interest rate.

(4) Upon expiry or termination, we may take possession of the leased assets and sell them without restriction or compensation to you.

(5) All of the provisions described in this Item 10 under Sublease apply to your obligations under the Sublease and Business Lease, including default interest, liability on default, loss of legal rights on default, guaranty requirements and waivers.

Discretionary Partial Financing

We may, in our discretion, make partial financing available to you, usually to supplement your own bank financing, for the acquisition of the franchised business. This partial financing is made under the terms of a Loan Agreement (Exhibit I) and a General Security Agreement (Exhibit J) over your assets. The terms and amount of this discretionary partial financing (if any) will vary on a case by case basis. The following chart and related notes describe the discretionary partial financing arrangement in more detail.

ITEM FINANCED (SOURCE)	**AMOUNT FINANCED**	**DOWN PAYMENT**	**TERM (YEARS)**	**APR**	**MONTHLY PAYMENT / PREPAYMENT PENALTY**	**SECURITY REQUIRED**	**LIABILITY UPON DEFAULT**	**LOSS OF LEGAL RIGHTS ON DEFAULT**
We will loan you part of the money necessary to establish a Bakery Business See Note 1	Varies depending on circumstances	N/A	From a 3 month bridge to a maximum of 2 years	Typically 4% over the rate available from commercial lenders to franchises of this type Interest calculated on a daily basis	Varies Amortization period may be longer than the term Payable by direct debit Prepayments may be made at any time without notice, bonus or penalty	General Security Agreement (all present and after acquired personal property and all other assets) See Note 2 No other liens on these assets are permitted without our consent The Guarantors must guaranty your obligations	Immediate repayment upon certain defaults See Note 4 Default Interest Rate Varies, but usually around 18%	There are cross-defaults See Note 4

ITEM FINANCED (SOURCE)	AMOUNT FINANCED	DOWN PAYMENT	TERM (YEARS)	APR	MONTHLY PAYMENT / PREPAYMENT PENALTY	SECURITY REQUIRED	LIABILITY UPON DEFAULT	LOSS OF LEGAL RIGHTS ON DEFAULT
						See Note 3		

(1) We may apply any amount that you pay us against any other amount that you owe us. You are responsible for all of our costs relating to providing this financing.

(2) By signing the General Security Agreement ("GSA"), you grant us a security interest in all of your personal property and other assets that you currently own or may acquire in the future. Events of Default under the GSA are listed in Sections 1(b) and 7 and include a default under the Loan Agreement or the GSA. There are significant restrictions on how you may deal with your property. You must keep the assets insured. You may not transfer them, except as permitted under the GSA. You may not grant other security interests in them except with our consent. We may obtain any remedy available at law or equity. You must pay all our enforcement costs.

(3) The Guarantors guaranty all of your obligations under the Loan Agreement, jointly and severally. They waive all rights to (a) notice or disclosure, (b) all benefits of division and discussion, any requirements for presentment of payment, (c) protest. The Guarantors' guaranty will not be effected by anything we do or fail to do regarding the underlying obligations or anything that happens to you or your obligation to repay us.

(4) You will be in default if (a) you fail to make any payment and the failure continues for 7 days; (b) you breach any other term of the Loan Agreement; (c) you breach the Sublease in a way that entitles us to terminate it; (d) certain insolvency, bankruptcy, other creditor's rights, dissolution or liquidation events occur; (e) your Franchise Agreement expires or is terminated, (f) you fail to obtain re-financing within the specified time, and (g) you are late making a payment twice in any 12 month period. If you default on the loan, the entire principal and accrued interest become immediately due and payable. You must pay interest on any past due principal and interest at the default rate. We may terminate the Sublease and the Franchise Agreement. We may realize on our security by exercising our rights under the GSA without demand or notice. You will be responsible for all of our enforcement costs.

(5) We may assign the Loan Agreement and the GSA, but you may not assign them without our consent.

Other Indirect Financing

In addition, we provide indirect financial assistance to you by (a) working with one or more banks to assist in decreasing your financing costs; (b) establishing and maintaining purchasing programs for inventory and supplies; and (c) establishing and maintaining group public liability, property and crime insurance. We will not guaranty your obligations to third parties.

Assignment

It is not our practice to assign the Sublease, Sublease and Business Lease, the Loan Agreement or the General Security Agreement, but we do have this right. If we make such an assignment, it is likely that we will not remain primarily liable to you, meaning that you will lose all defenses and recourse against us under the agreement.

No Consideration for Placing Financing

We and our affiliates do not receive any consideration for placing any financing with a third party lender.

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

Except as listed below, we need not provide any assistance to you.

Pre-Opening Obligations

Before you open your business, we will:

1. **Territory** - Designate your territory. (Schedule A, Item 8 of the Franchise Agreement ("F.A."))

2. **Operations Manuals -** Provide you with on-line access to our Operations Manual and any updates to it, and on-line access to our recipe book and any updates it. (Section 91(f) F.A.)

3. **Sublease and Sublease and Business Lease** - At your cost, determine the location for the Business Premises and enter into with you a Sublease for the Business Premises or Sublease and Business Lease for the Business Premises and the Business Assets (Section 21 F.A.). We do not warrant the success of your location. (For more details, see the Location Selection section below.)

4. **Site Development** – Unless you are getting an existing location, develop the Bakery Premises in accordance with our standards. (Section 53 to 74 F.A.)

5. **Equipping Premises** – We provide a turn-key operation. This means that in addition to site development, we will equip the premises to our specifications using our approved and designated suppliers for the necessary equipment, signs, fixtures, opening inventory, supplies, etc. (Sections 57 to 74 F.A.) (For more details, see Item 8 and the Point of Sale and Computers section below.)

6. **Basic Training** - Provide training under the terms of the Training Agreement. (Section 18 F.A.) (For more details, see Item 7 and the Table Summarizing Training below).

7 **Discretionary Assistance -** In our sole discretion, provide up to 40 hours of assistance to you, including opening assistance, assistance with both sales and production aspects of the franchised business, and assistance with compliance with occupational health and

safety legislation, which may occur before, during or after opening and will be based upon the your particular requirements, as determined by us in our sole discretion. (See Training Agreement, Exhibit K)

8. **Insurance -** We will organize and effect a group insurance scheme for certain risks. (Section 27 F.A.)

Post-Opening Obligations

After you open your business, we will furnish such continuing advice on the following matters as we, in our sole judgment, deem reasonably required by you:

1. **Additional Training -** If requested by you or if we consider it necessary, at your cost, provide supplementary training to you, your Bakery Principal and your employees (Section 91(b) F.A.);

2. **Technical Advice -** If requested by you, provide technical advice and information that we consider necessary to enable you to properly conduct the Bakery Business (Section 91(c) F.A.);

3. **Advertising and Marketing Advice -** If requested by you, provide advice and information that we consider necessary about advertising and marketing products sold in the Bakery Business (Section 91(d) F.A.);

4. **New Recipes** – At your cost, make available to you any new recipes for products to be sold in the Bakery Business (Section 91(e) F.A.);

5. **Management, Sales and Administrative Advice -** If requested by you and at your cost, provide management, sales and administrative advice (Section 91(h) F.A.);

6. **Consultation -** Make our personnel available for consultation with the Bakery Principal during normal business hours (Section 91(k) F.A.);

7. **Replacement Manuals -** At your cost, replace the Operations Manual and any updates to the Operational Manual misplaced, damaged or destroyed by you (Section 91(l) F.A.);

8. **Cost of Modifying or Substituting Marks -** If our right to use a Mark is challenged and we decide that the Mark should be modified, or discontinued and replaced by a substitute Mark, we will pay your reasonable direct costs and expenses to do so, unless the infringement was due to default by you under the Franchise Agreement (Section 115 F.A.);

9 **Refurbishment of Bakery Premises -** If you are required to refurbish the Bakery Premises under the terms of the Head Lease or by us, we may choose to manage the work at your expense. (Section 75 F.A.).

Advertising and Promotion

You will follow all reasonable practices and procedures that we establish for advertising and marketing (Section 31(a) F.A.). You are required to participate and co-operate in all advertising and marketing initiatives (Section 31(f) F.A.), promote the franchised business in the Territory in local media and in accordance with our guidelines, programs and policies (Section 31(i) F.A.), and to join with us and other franchisees in periodic promotions and special displays (Section 31(v) F.A.). You must obtain prior written approval from us for the advertising, marketing and promotions you conduct, including any advertising, marketing or promotion in any Digital Media; this consent will not be unreasonably withheld by us (Section 31(w) F.A.).

You are required to contribute amounts equal to three percent (3%) of your Net Sales from the Bakery Business on a weekly basis, to an advertising and marketing fund held and administered by us (Section 22(e) and See Item 6). The advertising and marketing fund contributions are to be paid to us together with and in the same manner, electronically, by pre-authorized automatic bank debits each Thursday, for the 7 days ending on the immediately preceding Wednesday, as your payments of the continuing weekly royalties to us. The amount of the advertising and marketing contribution may be increased in accordance with a resolution passed by a simple majority of all of our franchisees. This resolution may be passed at a meeting or by mail-in or on-line ballot.

The purposes and operations of the advertising and marketing fund are described as follows: we will use the amounts collected in the fund to conduct advertising and marketing for the COBS Bread Bakery System nationally, regionally and locally, including media campaigns and Digital Media campaigns, promotions, displays, sponsorships and bakery opening advertising and promotions; as well as acquisition and creation of materials (Section 91(i) F.A.).

There are no limitations on the media through which advertising may be disseminated. It is our intent that, we and our franchisees, will rely on word of mouth, in-store promotions, digital advertising, distribution of coupons, and ultimately newspaper and radio advertising. The advertising may be developed in-house, or through a national or regional advertising agency.

The advertising and marketing fund will be administered for the benefit of all stakeholders involved in the COBS Bread Bakery System, but we are not obligated to use the fund on an equal or proportionate basis to the amounts contributed by each or any party. We may, in our discretion, charge an administration fee against the fund for our direct expenses and administrative costs for administering it.

We will carry over any surplus contributions in any fiscal year, for expenditure in the next fiscal year. You may not be able to claim as an expense in the current fiscal year, your portion of contributions that are carried over to the next fiscal year. We may, in our discretion, refund a portion of the advertising and marketing contributions to the franchisees and to our corporate-owned locations, which if done will normally occur after completion of a fiscal year. We will be reimbursed out of future advertising and marketing contribution, if we have spent more on advertising and marketing than the current amount in the fund.

The contributions to the advertising and marketing fund will not be spent on the recruitment of new franchisees. We contribute to the advertising and marketing fund for our corporate-owned locations on the same basis as franchisees.

The advertising and marketing funds are accounted for separately from general revenues. But the funds themselves are not held in a separate bank account by us.

We will provide you an annual unaudited statement of the receipts and expenditures of the advertising and marketing fund, within a reasonable time after the completion of our fiscal year. Our fiscal year end is currently June 30. The costs of providing the annual statement will be paid out of the advertising and marketing fund.

You are expected to spend at least $5,000 on your opening advertising, marketing and promotion. This occurs by your contributing that amount as an initial contribution to the advertising and marketing fund, which we will then use to conduct and support the your opening advertising, marketing and promotion.

We may transfer funds from the conference and development fund (described in Item 8) to the advertising and marketing fund.

The fund is intended to be of perpetual duration, but we may terminate it at any time. The fund will not be terminated, however, until all monies in it have been expended for the purposes described in the Franchise Agreement or distributed back to contributors

In fiscal 2022, contributions to the advertising and marketing fund were $71,159[1]. These contributions were spent as follows: production 8.33%, media placement 29.29%, administration expenses 52.34% (45% of which went toward software development for our loyalty program, gift card program and website), local marketing activities 8.61%, and 1.43% being carried forward to fiscal 2023.

There are no other advertising or marketing funds.

There is no advertising council.

Point of Sale and Computer Systems

You must use the required computer hardware, software, Internet connections and service, required dedicated telephone and power lines and other computer-related accessories, peripherals and equipment that make up the POS System (Section 27(p) and 58 F.A.). You must obtain high-speed communications access for your POS System, such as broadband, DSL or other high-speed capacity. You must also maintain a functioning e-mail address for your business.

The required POS System is our Bready System. We will install this System as part of our development of the Bakery Premises as a turn-key operation. The cost of the POS System is

[1] This includes the $9,662 in rebates from suppliers and funds spent on new bakery opening which we received from the franchisee. There was an additional $11,056 carried forward from the prior year.

between $10,000 and $17,000 (plus taxes). You will receive a 1 year warranty on the POS System equipment as part of the original purchase price. You must pay us a monthly subscription fee of $290 for information technology support.

We will store information from your POS System on our server. You must maintain the connection between your POS System and our server at all times. There are no contractual limitations on our right to access information, except that we recognize that you may be required to comply with personal privacy protection laws (Section 27(p) F.A.). We may inspect, audit and photocopy, during normal business hours, without prior written notice, the receipts and other information generated by your POS System (Section 27(r) F.A.). If your records and procedures are insufficient to determine Net Sales for any period, we may impose an estimate of Net Sales on you (Section 22(j) F.A.).

You must maintain your POS System and keep it in good repair (Section 31(aa) F.A.). There is no contractual limit on our ability to require you to upgrade the system, add components to the system and replace components of the system. We cannot estimate the cost of maintaining, updating or upgrading your POS System or its components because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time.

Operations Manual

The Operations Manual means the various COBS Bread operations manuals made available on-line and the recipe book issued by us to you. The Operations Manual is our property and must be kept confidential. It may not be loaned out, printed, duplicated or copied in whole or in part in any manner. We may add to and otherwise modify the Operations Manual periodically, as we think necessary. You must keep your copy of the recipe book current. You must follow the directives of the Operations Manual throughout the term of the Franchise Agreement. A copy of the Table of Contents of the Operations Manual as of our last fiscal year end is attached as Exhibit M to this Disclosure Document. It shows the number of pages devoted to each subject and the total number of pages in the Operations Manual is 576. The Operations Manual is made available to prospective franchisees after the training orientation.

Location Selection

The Bakery Premises must be between 800 and 2,000 square feet. We will determine the suitability of the location based upon demographics, visibility, foot traffic, accessibility, delivery, suitability of the premises to be leased and other factors. We will enter into a Head Lease for the Bakery Premises with the Landlord and will sublease the Bakery Premises to you. We do not guaranty the success of any location. Typically, if we cannot find a suitable location and negotiate the Head Lease within 24 months, then we will refund the Commitment Fee and our Project Administration Fee. If we finalize the terms of a lease in respect of the Proposed Bakery Premises and you do not execute the Franchise Agreement and Sublease within 30 days of our submitting the documents to you, we will retain the Commitment Fee.

Time for Opening

We expect that you will open the Bakery Business to the public within 45 to 120 days after we obtain possession of the Bakery Premises. This is typically 6 to 24 months after you sign any agreement with us or pay any money to us (whichever is earlier). The factors that affect overall timing are the time to locate suitable premises and negotiate the Head Lease, permitting, local inspection requirements, time for leasehold improvements, delayed delivery of fixtures, furniture and signage, local ordinances and weather conditions.

Training and Other Assistance

As a prospective franchisee, you or your Bakery principal are required to undergo the COBS Bread Bakery Franchise Training Program. This program covers the learning outcomes required to operate a bakery business in a streamlined and cost-effective manner. Dedication and commitment to training is essential to ensure that you or your Bakery Principal are familiar with the product, maintain quality and consistency, are expert in delighting customers, as well as managing the business on a day-to-day basis. You or your Bakery Principal must commit to full time involvement in the training program.

The COBS Bread Bakery Franchise Training Program is conducted in a bakery environment at a COBS Bread Bakery location in Canada or the United States designated by us. Training is competency-based and designed to be conducted over a four-month period including a three-week orientation. Candidates may be able to complete this training in a shorter period of time. This should be discussed with us during the recruitment period. Attendance costs are your responsibility, including payment of wages to your attendees.

You or your Bakery Principal are required to complete training in advance of signing the Franchise Agreement. You will be required to enter into a Training Agreement (Exhibit K) with us in advance of starting training. Successful completion of training is not an agreement by us to the grant you a COBS Bread Bakery franchise or our consent to the assignment of one to you.

If the equity owners are a couple and both will be involved in the franchised business, once the Bakery Principal successfully completing training, the other partner will be trained by the Bakery Principal.

We will provide supplementary training at your cost and expense, (usually on a cost and expense recovery basis) upon request or if we considers it necessary.

We will provide online access to the Operations Manual, subject to the trainee executing our form of Confidentiality Agreement. The Franchisor’s current standard form of Confidentiality Agreement is attached as Exhibit N to this Disclosure Document. A copy of the recipe book will only be provided to you when we handover the Bakery Premises to you.

We will generally be and remain available during the term of the franchise to work with you to provide support, advice and information based on your particular requirements. Additional assistance will be given on a cost and expense recovery basis.

After successful completion of the training program and entering into a Franchise Agreement, we, in our sole discretion, will provide up to 40 hours of assistance to the Franchisee, including opening assistance, assistance with both sales and production aspects of the franchised business, and assistance with compliance with occupational health and safety legislation, which may occur before, during or after opening and will be based upon the your particular requirements, as determined by us in our sole discretion.

We may prescribe additional courses which you must successfully complete at your own cost and expense.

Our current form of Trainee and Trainer Obligations Booklet to be entered into between you and the person who will be training you, on our behalf, is attached as Exhibit O to this Disclosure Document.

Table Summarizing Training

TRAINING PROGRAM			
SUBJECT	**HOURS OF CLASSROOM TRAINING**	**HOURS OF ON-THE-JOB TRAINING**	**LOCATION**
Baking Skills and Production Management	380 Hours	20 Hours	Corporately-owned or franchised locations in Canada or the United States
Sales and Merchandising	108 Hours	12 Hours	Corporately-owned or franchised locations in Canada or the United States
Business Management	102 Hours	18 Hours	Corporately-owned or franchised locations in Canada or the United States

The required hours of training vary but will be approximately 640 hours which is equal to 80 eight hour days. You must pay all travel, food and lodging expenses incurred by you or your employees for the duration of this training. All training must be completed to our satisfaction before we sign a Franchise Agreement with you.

We conduct training sessions as required. The Operations Manual, our reporting forms, our "Breaducate" online training tool, which includes Power Point presentations, and the Bready System, computer and other equipment manuals will serve as written training materials. Karen Frost-Spokes, one of our Regional Directors, is in charge of training. Ms. Frost-Spokes has over 12 years' experience with us as a COBS Bread Bakery Manager, Area Manager and Regional Manager. She has been head of the training department since 2015. Operational training is provided by Bakery Principals and employees at franchised locations or managers and employees at our corporately-owned locations. These instructors change from time to time.

You and the Bakery Principal must ensure that you, the Bakery Principal, any manager, and other employee participates, at your expense, in such additional training as we consider necessary to efficiently, lawfully and properly operate the Business. We will provide such supplementary training to you, your Bakery Principal and your other employees. The Bakery

Principal must also be available to provide training to any Bakery manager or other employee as we consider necessary.

If requested by us, you or the Bakery Principal must take such training courses as will enable you to train COBS Bread trainees (either your own or those who will be working at corporate or other franchised units) at the Bakery Premises.

If required by us, you must pay a $4,000 (or other amount determined by us) training allowance to be held by us to cover your costs of training.

ITEM 12
TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We grant a protected territory to the Franchisee, as follows:

Our current practice is to grant a protected Territory to you which is site specific to the actual COBS Bread Bakery premises, and quite limited as to the area near such premises. The protected Territory is typically limited to the shopping centre or the strip shopping area (normally one whole block) in which the COBS Bread Bakery is situated.

Within the protected Territory, we, and any of our affiliates or, and whether under the same or a different trademark, may not, without your prior consent:

(a) have other franchisees who operate businesses substantially the same as the franchised business;

(b) themselves operate businesses substantially the same as the franchised business;

(c) establish other franchises which are substantially the same as the franchise; and

(d) the Franchisor may not unilaterally change the exclusive Territory.

We and all other COBS Bread Bakery franchisees are free to solicit customers for their respective businesses from anywhere. You may not operate a business substantially the same as the franchised business outside the Territory without our prior written consent, which may not be available. You may not use alternate distribution channels to make sales within or outside the Territory.

The continuation of your rights to the protected territory and to operate the COBS Bread Bakery franchise from the premises approved by us under the Franchise Agreement does not depend on your achieving a specific level of sales, market penetration or other condition, other than full compliance with the Franchise Agreement and the other agreements entered into with us that relate to the Bakery Business, and strict adherence to the COBS Bread Bakery System and to our specifications, standards, policies and operating procedures as prescribed from time to time. However, where you enter into a combined Sublease and Business Lease with us, under which we will purchase the business assets required to operate the franchised business and rent them to you, with an option to purchase them, and the bakery business as a going concern, from us and convert to a standard Franchise Agreement with us, the terms of the Sublease and Business Lease provide that upon request, you will provide us, for review, with certain performance related statements and documents containing such information as may be requested, and that you will comply with the following performance requirements in operating the COBS Bread Bakery business:

(e) the annual cost of goods will not exceed a to-be-specified percentage of gross annual sales;

(f) the total annual wages will not exceed a to-be-specified percentage of annual Gross Sales;

(g) the total operating profit for each year will be no less than a to-be-specified percentage of annual Gross Sales; and

(h) such other requirements as may be specified, at the time of entering into the Sublease and Business Lease.

In the event of non-compliance, your rights to the protected territory and to operate the COBS Bread Bakery franchised location may be terminated, through termination of the Sublease and Business lease, which would then lead to termination of the Franchise Agreement as a result of its cross default provisions.

We are under no obligation to sell you an additional franchise. We may determine, for example, that you do not have the management or financial capability to acquire or operate an additional Bakery Business.

We may, without limitation or compensation to you, operate, or grant the right and license to operate, a Bakery Business utilizing the COBS Bread System outside the Territory; sell clothing and other merchandise bearing the Marks within the Territory to other retail locations that are not bakery businesses or through mail order catalogues or the Internet.

Your right to relocate your Bakery Business from its original approved location is restricted. You may operate your Bakery Business only at a location expressly approved by us. Thus, any relocation must be approved by us, and any such relocation will be at your sole expense. If certain circumstances that are outside of your control require a relocation, such as if the lease for the Bakery Premises is terminated (through no fault of your own), the Landlord requires you to move as provided in the Head Lease, or if condemnation proceedings render continuing the Bakery Business impractical, we will not unreasonably withhold consent to a relocation. Otherwise, whether to approve a requested relocation is in our sole discretion. The criteria for approving any proposed new location for your Bakery Business will be comparable to those for approving the original location. You must reopen within a reasonable period of time under the circumstances or we may terminate the Franchise Agreement.

We do not have, nor do we have any plans to have, other franchised or company-owned outlets or another channel of distribution selling similar products or services under a different trademark. But there are no restrictions on our ability to do so.

ITEM 13
TRADEMARKS

We grant you the non-exclusive right to establish and operate a Bakery Business under the name "COBS Bread". You may also use the other Marks that we designate as part of the System. The Manual contains specifics on how our Marks may be used.

Our affiliate, Bakers Delight Holdings Ltd., has registered the following principal Marks on the Principal Register of the United States Patent and Trademark Office ("USPTO") and has filed all required affidavits:

	Registration Number	Registration Date	Renewed
COBS Bread and design	3,330,435	November 6, 2007	December 18, 2014
COBS Bread	2,956,023	May 24, 2005	December 18, 2014
COBS	2,956,022	May 24, 2005	December 18, 2014
COBS Bread and design	6,043,437	April 28, 2020	N/A

There are presently no effective determinations of the USPTO, any trademark trial and appeal board, any state trademark administrator or court, any pending interference, opposition, or cancellation proceeding involving any of the Marks identified in this Item 13.

We are a party to a License Agreement pursuant to which our affiliate, Bakers Delight Holdings Ltd., has licensed to us and other affiliated companies the right to use the Marks. Our affiliate has also granted us the right to sublicense such rights to our franchisees. Except for this agreement, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks identified in this Item 13 in a manner material to the franchise.

We do not know of any infringing uses or superior previous rights that could materially affect your use of our Marks.

You must follow our rules when you use our Marks. You cannot use our Marks as part of a corporate or other business entity name or with modifying words, designs or symbols except for any which we license to you. You cannot use our Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us. You must not directly or indirectly contest our right to our Marks and the trade secrets and business techniques that are part of our business.

You must notify us immediately when you learn about an infringement of, or challenge to your use of, our Marks. You must not take any other action without our prior written permission. We will take the action we think appropriate and have the right to control all related litigation, proceedings or challenges. You must cooperate fully with us in any litigation, proceeding or challenge. While we are not required to defend you against claims arising from your use of our Marks, we will reimburse you for all damages which you are held liable and all reasonable costs in connection with defending our Marks to a maximum aggregate amount equal to the Initial Franchise Fee.

If we decide to change or are required to change our Marks, we will reimburse you for expenses that you reasonably incur to replace signs and other printed material.

ITEM 14
PATENTS, COPYRIGHTS, PROPRIETARY INFORMATION

Franchisor's Patent Rights and Copyrights

We hold no patents. We have registered no copyrights. However, we claim copyright protection for the Operations Manual, including our recipe book, and certain marketing, sales, and operations literature. There are no presently effective determinations of the United States Copyright Office, any pending interference, opposition or cancellation proceedings or any pending material litigation involving such copyrights which is relevant to their use. There are no agreements currently in effect which significantly limit our rights to use or license the use of such copyrights in any manner material to the franchise. We are not obligated by the Franchise Agreement or otherwise to protect any or all such rights or to protect you against claims of infringement of such rights. You must notify us immediately when you learn about any infringement. While we are not required by the Franchise Agreement to defend you against any infringement, it is our policy to take any and all appropriate action necessary to defend such rights against any claims and to seek legal recourse in the event of any infringement. We have the right to control litigation. You must cooperate fully with us in any proceeding. If we change or discontinue any copyrighted materials, you must comply and you will not be reimbursed. We do not know of any infringing uses or superior previous rights that could materially affect your use of such rights.

You may use our copyrighted materials in the performance of permitted activities. Ownership of all right, title and interest in and to these copyrighted materials remains with us. You must keep these materials confidential and they must be returned to us on the expiration, termination or transfer of your rights under the Franchise Agreement.

Trade Secrets and Other Confidential Information

You will obtain knowledge of proprietary techniques, business procedures and other matters that are necessary and essential to the operation of the Bakery Business, without which information, you could not effectively operate such business, including, knowledge regarding secret recipes, the System, the layout of the Bakery Business and the Manual. You must acknowledge that this proprietary information was not known to you prior to signing the Franchise Agreement and that it is unique to the System. You must also enter into a Training Agreement before you begin training requiring your to keep our proprietary information confidential. You may not copy our proprietary information, disclose it to any third party or use it for any purpose other than operation of the Bakery Business during the term of the Franchise Agreement, without our prior written consent.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

It is our policy not to grant a COBS Bread Bakery franchise to a franchisee unless the principals of the franchisee will play a substantial role in the operation and management of the COBS Bread Bakery. Franchisees may be a corporation or limited liability company. We do not permit franchisees to be a partnership or trust. Franchisees must abide by our Franchisee Company Structure Policy which is attached as Exhibit P.

One of your principals, normally the controlling principal, must be designated as the "Bakery Principal", who will:

(i) act as a guarantor of your payment and performance obligations under the Franchise Agreement and the other agreements entered into by you with us;

(j) devote full time and attention to the operation and management of the COBS Bread Bakery;

(k) satisfactorily complete our training program;

(l) be bound personally by your positive and negative obligations under the Franchise Agreement, including the in-term and post-term non-compete provisions, and the confidentiality provisions; and

(m) be available at all reasonable times to communicate, meet and consult with our employees.

If you are a corporation or limited liability company, we will require your other equity owner(s), if any, to provide a personal guaranty of the financial and agreement performance by you. We generally restrict ownership of corporate or limited liability company franchisee to the Bakery Principal and his or her spouse. The transfer or issuance of equity interests in the limited corporation or limited liability company will require our consent.

You, the Bakery Principal and the Guarantors are required to warrant that the Bakery Principal:

(a) is either the franchisee or, where the franchisee is a corporation or limited liability company, controls the franchisee; and

(b) will play a substantial role in the operation and management of the Bakery Business.

You, the Bakery Principal and the Guarantors are further required to warrant that:

(a) where the franchisee is a corporation or limited liability company:

(i) that the directors, managing members, managers are those listed in Item 19 of Schedule A attached to the Franchise Agreement;

(ii) that the equity owners are those listed in Item 20 of Schedule A attached to the Franchise Agreement and are the beneficial holders of all the issued equity interests in the franchisee;

(b) that each of them is solvent and is able to pay all their debts as and when they fall due for payment;

(c) that none of them have been convicted of, or had a charge proven against them, in relation to:

(i) any indictable offence involving dishonesty;

(ii) any indictable offence involving physical or mental harm to another person; or

(iii) any Serious Offence (meaning an offence under any law for which you, the Bakery Principal or Guarantor would be liable on first conviction to imprisonment for a period of not less than 5 years);

(d) that all information provided to us for consideration by us in connection with your application for the franchise is true and correct and not misleading in any particular and no relevant information has been excluded; and

(e) they have disclosed to us all facts and things concerning themselves, including their financial position and past business history, which could reasonably be considered relevant to our decision to grant the franchise to you.

Where the Franchise Agreement being contemplated under this Disclosure Document, is for a second or multiple franchise granted in your favor, you and the Bakery Principal will be required to acknowledge and agree that:

(f) Sections 28(t) and 131(a) and certain definitions of the Franchise Agreement are amended such that instead of the Bakery Principal being obliged to devote his or her whole time and attention to the Bakery Business, the Bakery Principal must devote sufficient time and attention to the Bakery Business to ensure that the Franchisee and the Bakery Principal are complying with the provisions of Section 28 and the terms of the Franchise Agreement;

(i) the Bakery Principal may, with our prior consent, employ and appoint a manager approved by us who must successfully complete any training that we consider necessary to enable the manager to conduct the daily operation of the Bakery Business;

(ii) you and the Bakery Principal must ensure that any manager appointed under Section 29(b) of the Franchise Agreement complies with all the obligations of the Bakery Principal;

(iii) you and the Bakery Principal shall be liable for all acts or omissions of any manager appointed and shall indemnify us and keep us indemnified in respect of any loss, damage or liability imposed on us arising directly or indirectly from any act, omission or breach of the Franchise Agreement by the manager;

(iv) the Bakery Principal must:

(1) oversee and retain control of the operation of the Bakery Business;

(2) ensure that he or she is available to provide such guidance, assistance, support, supervision or training required by any manager or other employee of the Bakery Business or considered necessary by us for the efficient and proper conduct of the Bakery Business in accordance with the terms of the Franchise Agreement.

The Franchise Agreement impose confidentiality and non-competition obligations on the Equity Owner(s).

You need our consent to have an affiliate or related person employ your employees.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are required to sell only products listed on the COBS Bread Menu which lists the products which you may or must sell at the Bakery Premises. We may amend the System to add new products and services that you must offer. There are no limits on our right to do this. You may only sell at retail, or to local restaurant and food service establishments not for resale.

The Bakery Premises must be designed, as to layout and appearance, and maintained as to the cleanliness, condition, repair and appearance, in accordance with our requirements, including plant and equipment servicing every 3 months by an approved maintenance contractor. Replacement and refurbishments must be carried out as required from time to time.

You are required to operate the franchised business at all times in compliance with the COBS Bread Bakery System. This is an essential term and condition of the Franchise Agreement. This includes compliance with our recipes, formulae and specifications for the products, and our quality, service and cleanliness standards and merchandising techniques. It also includes compliance with all business policies, practices and standards imposed by us relating to such things as: human rights, employment standards, occupational health and safety, industrial relations, collective agreements, industrial and workplace relations laws and food safety laws. We may recommend pricing systems to you, but do not set your prices, which are up to you; provided, however, that we do have the right to designate a maximum price for specified items for a stated period or generally, which you cannot sell above.

All advertising, marketing and promotion, including materials, must comply with our guidelines, programs and policies and be approved in writing in advance by us.

You must use the Trademarks, confidential information, copyright materials, manuals and recipe books as directed by us.

Subject to local laws, you must keep the Bakery Business open 364 days a year during the hours agreed to with us. You may not be associated either directly or indirectly with a business that is competitive with the Bakery Business. You may not sell over the Internet or any other communications network without our prior written approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	1, 12; also see Schedule A, Items 10 and 11, and FDD Exhibits E, F, H and K.	Commencing on the Starting Date (see Schedule A, Item 10) and expiring on the earlier of: (a) the Expiry Date: i) the day prior to the date upon which the Bakery Premises Lease expires or after any period of overholding; or ii) ______ years from the Starting Date. (b) the termination of the Franchise Agreement under Sections 141-144 (Section references are to the Franchise Agreement, unless specified otherwise); and (c) the termination of the Sublease or Business Lease (as applicable).
b. Renewal or extension of the term	1, 13 – 16; also see Schedule A, Item 11	3 months prior to expiry, Franchisor may, at its option, give written notice whether it will renew, and on what terms; may include paying then-current initial Franchise Fee. If no renewal notice is given, there is no renewal; Franchisee must cease operating, vacate premises, comply with termination provisions, or in Franchisor's discretion, negotiate for grant of another franchise.
c. Requirements for you to renew or extend	13; also see FDD Exhibits H and K	If renewal notice is given, Franchisee has one month to advise if will accept offer and terms; within 30 days of receiving new Franchise Agreement, and other franchise documents (all of which may have materially different terms and conditions), will sign and return with payments required, and will

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		sign release of Franchisor under all previous agreements.
d. Termination by you	See FDD Exhibit G	<u>Agreement for Sale of Business</u> 8.2, 11.1(b), 11.2 - Purchaser/Franchisee may terminate Agreement with notice 10 Business Days prior to Possession Date if loan not approved by Approval Date and it has made immediate application and done everything reasonably required to obtain it and is not otherwise in default of Agreement. 11.1(a), 11.2 - Purchaser/Franchisee may terminate Agreement 10 Business Days prior to Possession Date and obtain refund if Franchisor has not obtained Lease and Landlord's consent to Sublease 10 Business Days prior to Possession Date.
e. Termination by us without cause	None	None
f. Termination by us with cause	1, 67, 141 – 144; also see FDD Exhibits G and H	<u>Franchise Agreement</u> Upon the happening of a Termination Event, the Franchisor may, at its option: (a) give written notice of immediate termination of the Franchise Agreement ("Immediate Termination Notice") to immediately terminate the Franchise Agreement; or (b) given written notice of termination of the Franchise Agreement ("Deferred Termination Notice") on a date specified in such notice ("Deferred Termination Date") to terminate the Franchise Agreement on the Deferred Termination Date; or (c) give written notice ("Mandatory Sale Notice") that: (1) the Franchisor requires the Franchisee to sell and complete the sale of the Bakery Business by a time and date specified in such notice ("the Required Sale Date"); and (2) if a sale of the Bakery Business is not completed by the Required Sale Date the Franchise Agreement shall terminate in accordance with Section 142 The Franchise Agreement shall be

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		terminated by mutual agreement if a sale of the Bakery Business is not completed by the Required Sale Date in accordance with Section 141(c)) and 7 days have elapsed since the Franchisor has given written notice to the Franchisee that the Franchise Agreement shall be terminated by mutual agreement under Section 142. If the Franchisee does not pay the Bakery Set-Up Estimate or the actual Establishment Costs as required by this Agreement, the Franchisee shall be deemed to have voluntarily abandoned the franchise relationship with the Franchisor and the Franchisor may at its option: (a) immediately terminate this Agreement and any ancillary agreement in existence; or (b) defer terminating this Agreement and ancillary agreement then in existence and charge the Franchisee interest on any unpaid monies in accordance with Section 25. <u>Agreement for Sale of Business</u> 11.3, 11.4 - Franchisor may terminate Agreement on or before Possession Date by prompt written notice if it terminates Franchise Agreement, Sublease or Training Agreement, or if Franchisee's loan is not approved by Lender by Approval Date, or Landlord has not consented to Sublease if required 10 days prior to Possession Date. Franchisor must give refund in latter 2 events. <u>Agreement of Commitment</u> 9, 10 - If the Franchisor is unable to finalize the terms of a lease of the Proposed Bakery Premises with the Landlord the Franchisor will refund the Commitment Fee to the Franchisee less the Project Administration Fee. If the Franchisor finalizes the terms of a lease in respect of the Proposed Bakery Premises and the Franchisee does not execute the Franchisor's Franchise Agreement and Sublease within 30 days of the Franchisor submitting the documents to the Franchisee, the Franchisor shall be entitled to retain the Commitment Fee.
g. "Cause" defined - curable	1, 67, 141 – 144	"Breach Notice" means a written notice

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
defaults		given by the Franchisor to the Franchisee which: (a) specifies the breach or breaches of the Franchise Agreement by the Franchisee; (b) informs the Franchisee what it must do to remedy the breach or breaches, including a timeframe for remedying the breach or breaches (which must be reasonable but need not exceed 30 days); and (c) states that if the Franchisee does not remedy the breach or breaches within the timeframe specified in the notice the Franchisor may terminate the Franchise Agreement. The Franchisee, the Bakery Principal and the Guarantors will be deemed to: (a) admit breaching this Agreement in the manner specified in any Breach Notice; and (b) accept the manner in which the Franchisor requires the Franchisee to remedy such breach or breaches, if the Franchisee does not, within the time to remedy such breach or breaches, give written notice of dispute to the Franchisor in accordance with Section 143.
h. "Cause" defined - non-curable defaults	1; also see FDD Exhibits G and H	"Termination Event" occurs if the Franchisee or the Bakery Principal: (a) has not entered into a Sublease or Business Lease, or any other ancillary agreement required by the Franchise Agreement or in Schedule A with Franchisor within 6 months after the date of the Franchise Agreement; (b) has not successfully completed the Franchisor's training program pursuant to the Training Agreement entered into pursuant to Part 3 of the Franchise Agreement within 6 months after the date of the Franchise Agreement; (c) no longer holds any licence or authority that the Franchisee may require to carry on the Bakery Business or the Franchisee's right to occupy the Bakery Premises is terminated; or (d) enters into any form of insolvency administration, such as

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		voluntary administration, receivership, liquidation, bankruptcy or any arrangement under bankruptcy or insolvency laws; or (e) voluntarily abandons the Bakery Business or the franchise relationship between the Franchisee and the Franchisor or if the Bakery Principal ceases to work on a full time basis in the Bakery Business); or (f) is convicted of a Serious Offence; or (g) operates the Bakery Business in a way that endangers public health or safety; or (h) is fraudulent in connection with the operation of the Bakery Business; or (i) is party to any other agreement with the Franchisor (or if its affiliate or related person is a party) relating to another Bakery Business and that agreement is terminated; or (j) if the Franchisee, having been served with a Breach Notice, does not remedy the breach within the timeframe specified in the Breach Notice and in the manner specified in the Breach Notice.
i. Your obligations on termination/non-renewal	31(l), 48(b), (c), and (d), 89, 108 – 109, 145-151; also see FDD Exhibits E and F	Maintain confidentiality of information; Not use trademarks or other intellectual property of Franchisor; Not dispute the validity, ownership, enforceability of trademarks or other intellectual property, or act to dilute their value; Vacate the Bakery Premises and reinstate the Bakery Premises to the condition required by the Bakery Premises Lease and/or as specified by the Franchisor and if required by the Franchisor leave all fixtures, fittings, plant and equipment used by the Franchisee in running the Bakery Business in the Bakery Premises or remove and store them; Deliver all keys and security access; Cease using any signs, stationery or other material which may imply any

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		connection to the Franchisor; Return all Manuals, recipe books, newsletters, or any other Franchisor materials; Sign all documents required by the Franchisor to confirm the expiration or termination of this Agreement; Cease using the Franchisor's or its Affiliate's or Associate's Trademarks and Intellectual Property; Pay to the Franchisor all money which the Franchisee owes the Franchisor and all money payable under the Bakery Premises Lease, including any Costs associated with the surrender or termination of the Bakery Premises Lease; Compensate the Franchisor for the reasonable Costs the Franchisor incurs in reinstating the Bakery Premises to the condition required by the Bakery Premises Lease and/or as specified by Franchisor in accordance with Section 145; Sell to the Franchisor such of the Franchisee's plant and equipment as the Franchisor chooses to use in connection with the Bakery Business, that are not already owned by the Franchisor, if the Franchisor exercises its option to purchase contained in Section 152; Comply with Section 48 and with any relevant provisions of the Sublease or Business Lease.
j. Assignment of contract by us	124	Franchisor may sell or assign its business as the Franchisee's franchisor at any time to any party. If Franchisor sells its business, Franchisee must enter into new Franchise Agreement with purchaser from Franchisor, or nominee on same terms and with same expiry date as expiring Franchise Agreement, or enter into agreement with purchaser or nominee and Franchisor agreeing that Franchisor's rights, obligations have been transferred to and assumed by purchaser or nominee. Franchisor may assign agreement at any time.
k. "Transfer" by you - defined	131, 135. 140, 141(c); also FDD	<u>Franchise Agreement</u>

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
	Exhibits G and H	This Agreement is personal to the Franchisee, the Bakery Principal and the Guarantor(s) and, except as otherwise expressly permitted by the Agreement, neither the Agreement nor any of the rights or obligations hereunder may be assigned, sublicensed, transferred, conveyed or shared in any way with any other person without the prior written consent of the Franchisor, which it may withhold in its sole discretion. Franchisee cannot mortgage, encumber business assets without consent, which will not be unreasonably withheld if doing so will not interfere with proper operations of franchised business or Franchisor's business interests. Franchisee cannot appoint anyone other than Bakery Principal to manage franchised business, without Franchisor's consent. Material breach if Bakery Principal loses control or control is diminished. Change of control is treated as sale of franchise. Franchisee cannot, without consent, allow: change of beneficial ownership of shares; shares to be pledged or charged as security; allotment of new shares, except to Bakery Principal; any change to the Directors or the appointment of any person to be a director of the Franchisee. Bakery Principal's death, see "p." below. If Franchisee is a couple and separates: Bakery Principal still to manage, devote full time and attention to franchised business; Franchisor can take over management for not more than 12 months, with monthly accounting, as in Sections 132-134. If within 6 months Bakery Principal does not purchase other partner's interest, franchised business must be put on market for sale. If within 12 months there is no sale, Franchisor can extend management period, or take steps to terminate. <u>Agreement for Sale of Business</u>

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		24 - No assignment, licensing, sharing with others without consent of Franchisor which may be withheld in its sole discretion. <u>Agreement of Commitment</u> 20 - No assignment, sublicensing, sharing with others without consent of Franchisor, which may be withheld in its sole discretion.
l. Our approval of transfer by you	140; also see FDD Exhibits I and J	Transfers subject to Franchisor sole discretion Also see "m. – p." below
m. Conditions for our approval of transfer	140; also see Schedule A, Item 18	Transfers subject to Franchisor sole discretion Sale to other than Franchisor, conditioned upon Franchisor approval of purchaser as Franchisee, and requires: Franchisee, purchaser and its Bakery Principal demonstrate that purchaser and Bakery Principal, and if a corporation its directors and shareholders, are reputable and responsible, and meet financial and other Franchisee qualifications; purchaser, Bakery Principal, and if corporation its directors and shareholders have sufficient experience, and have completed sufficient training to operate a COBS Bread Bakery; all parties enter into an agreement, in Franchisor's approved form, to terminate the franchise, provide a general release of all claims by Franchisee and Bakery Principal of Franchisor under all agreements; Franchisor and purchaser, Bakery Principal enter into new Franchise Agreement in then-current form with guarantees by directors and shareholders if corporation, for term ending no earlier than same day as current Franchise Agreement; landlord consents if necessary under Bakery Premises Lease; Franchisee removes any bakery equipment not authorized, and replaces with bakery equipment which is authorized; Franchisee pays: transfer fee (unless N/A because applies under Sublease and Business Lease with Franchisor); amount of legal costs of Franchisor regarding sale; monies owing to Franchisor; Security Retention Sum; amounts to repay debts owed to

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		suppliers. Transferee pays us a rewrite fee of $2,500 per year to extend the term of the franchise that is being purchased from you to a 10 year term (e.g. if there are 3 years left in the term of your franchise agreement, the transferee would pay us 7 x $2,500 = $17,500). Security Retention Sum (currently $10,000 which Franchisor holds for 12 months after completion of sale as security for unknown obligations); and Franchisor will give written notice to Franchisee of any creditor claim; if no Franchisee notice within 7 days of bona fide dispute, Franchisor is entitled to settle claim; and upon expiry of 12 months, Franchisor refunds balance of Security Retention Sum to Franchisee. If at the time of sale, Franchisee conducts one or more other franchised COBS Bread Bakeries, Franchisee may not pay Security Retention Sum in the franchisor's sole discretion, but must pay within 7 days of Franchisor's request, any legitimate claim. Also see "n. – p." below.
n. Our right of first refusal to acquire your business	136-139	If Franchisee wishes to sell, first must offer to Franchisor stating price, terms. Within 21 days, Franchisor advises whether accepts offer, makes counter-offer, or agrees Franchisee can place franchised business for sale on no more favorable terms. If no response within 21 days, Franchisor deemed to agree to Franchisee placing franchised business for sale as above. If counter-offer, Franchisee within 14 days advises Franchisor in writing whether accepts counter-offer; if not, Franchisor will agree to Franchisee placing franchised business for sale. If offer and acceptance, a binding contract is formed; Franchisor's lawyers will prepare a formal contract, all parties sign within 7 days of contract being presented for signing.
o. Our option to purchase your business	136-139, 145(m), 152	See "n." above; and the Franchisor may purchase some or all of the Franchisee's assets upon expiration or termination of the Franchise Agreement in accordance with Section 152.
p. Your death or disability	126-131	If Bakery Principal dies, is incapacitated for 12 months or more, or

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		ceases to manage and devote full time and attention to franchised business: Franchisor can take over management and operation for not more than 12 months; Franchisor account to Franchisee monthly; is paid reasonable management fee; Franchisee must reimburse cash deficit monthly; Within 6 months, Franchisee must use best endeavors to recruit a replacement Bakery Principal approved by Franchisor, who satisfies current criteria, including satisfactory completion of training, and takes over control; and enters into agreement to be bound by Franchise Agreement; If no successful recruitment within 6 months, franchised business must be put on market for sale. Within 12 months, if no successful recruitment or sale, Franchisor can extend management period, or take steps to terminate.
q. Non-competition covenants during the term of the franchise	48 (a), (b), and (d), 49	Franchisee, the Bakery Principal and the Guarantors must not: - during the Term, engage in or be in any way involved in any business of a like or similar nature to a COBS Bread Bakery or any other business or activities which would be detrimental to or interfere with the Bakery Business, without the Franchisor's prior written consent. - during the Term and for a period of 12 months after the expiry or termination of the Franchise, other than in accordance with then current written guidelines issued by the Franchisor, employ or seek to employ any person who is at the time employed by the Franchisor, any supplier, any other COBS Bread System bakery principal or franchisee or any person who is at the time operating a COBS Bread Bakery or otherwise induce, or attempt to induce, directly or indirectly, such person or persons to leave such employment. - during the Term and for a period of

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		12 months after the expiry or termination of the Franchise, other than in accordance with then current written guidelines issued by the Franchisor, solicit or seek to solicit any person who is at the time a COBS Bread System franchisee or bakery principal or supplier or otherwise induce, or attempt to induce, directly or indirectly, such person or persons to leave such relationship
r. Non-competition covenants after the franchise terminates or expires	48(b), (c), and (d), 49	Franchisee, the Bakery Principal and the Guarantors must not: - during the Term and for a period of 12 months after the expiry or termination of the Franchise, other than in accordance with then current written guidelines issued by the Franchisor, employ or seek to employ any person who is at the time employed by the Franchisor, any supplier, any other COBS Bread System bakery principal or franchisee or any person who is at the time operating a COBS Bread Bakery or otherwise induce, or attempt to induce, directly or indirectly, such person or persons to leave such employment; - for a period of 12 months after the Expiry Date or earlier termination of the Franchise Agreement for any reason, carry on or in any way be either directly or indirectly involved in any business of a like or similar nature to a COBS Bread Bakery at or within a radius of 3 miles of the Bakery Premises; or within a radius of 3 miles of any COBS Bread Bakery in operation or under development within the same State at the time of execution of the Franchise Agreement; or, in operating the Bakery Business, having participated jointly in advertising and marketing, and under this Agreement having been in a relationship of joint co-operation and support with and between all COBS Bread stakeholders, as described in this Agreement, within a radius of 3 miles of any COBS Bread Bakery within the same State in existence at that time; and/or, - during the Term and for a period of 12 months after the expiry or termination of the Franchise, other than in accordance with then current written

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		guidelines issued by the Franchisor, solicit or seek to solicit any person who is at the time a COBS Bread System franchisee or bakery principal or supplier or otherwise induce, or attempt to induce, directly or indirectly, such person or persons to leave such relationship.
s. Modification of the agreement	190	Changes to the Franchise Agreement require mutual written consent.
t. Integration/merger clause	203	Franchise Agreement constitutes entire agreement; any prior discussions or negotiations not recorded in the Agreement are deemed to be of no effect.
u. Dispute resolution by arbitration or mediation	154-175	Non-binding mediation and then binding arbitration are required under the Agreement, and a party claiming that a Dispute has arisen must, prior to commencing any proceeding, give written notice ("the Dispute Notice") setting out: (a) the nature of the Dispute; (b) the outcome desired by that party; and (c) the action that party considers is necessary to settle the Dispute. On receipt of the Dispute Notice, the parties must, within 7 days, communicate with each other in good faith to resolve the Dispute expeditiously by negotiation. If 7 days after the date of the Dispute Notice the Dispute has not been resolved, either party may commence mediation. If the Dispute is not resolved by mediation then either party may commence arbitration. Notwithstanding the foregoing, a party to this Agreement may immediately commence legal proceedings if the relief sought by such party must be sought urgently and for certain events of default such as non-payment.
v. Choice of forum	156, 158, 170, 172, 173	Courts of the County of New York, New York or where you or the Bakery Premises are located for certain claims. Mediation in Vancouver, British Columbia. Arbitration in New York, New York (subject to applicable state

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		law).
w. Choice of law	171	Laws of the State of New York or the jurisdiction in which the Bakery Premises are located for certain ancillary agreements (subject to applicable state law).

ITEM 18
ARRANGEMENTS WITH PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following are historic financial performance representations about a subset of outlets. The subset is made up of those of our affiliate's Canadian franchisee-owned outlets that operated during the entire fiscal year ending June 30, 2022. There were 131 Canadian franchisee-owned outlets that operated for the entire fiscal year.

The underlying data for these financial performance representations was obtained by us from our franchisee's point of sale system and reports filed by them. None of this data was reviewed or audited by outside accountants. We have not undertaken any independent investigation to verity the amounts entered into the point of sales system by franchisees or otherwise reported by them.

Operating Profit for Canadian Franchisee-Owned Outlets franchise outlet

July 2021 - June 2022

(in Canadian Dollars)

Franchised	**Average**		**Highest Outlet**		**Lowest Outlet**		**Median**	
Sales	$ 1,206,193		$ 2,205,577		$ 482,195		$ 1,274,595	
COGS	$ 298,124	24.7%	$ 518,946	23.5%	$ 156,432	32.4%	$ 319,483	25.1%
Gross Profit	$ 908,070		$ 1,686,631		$ 325,763		$ 955,112	
Operating Costs								
Labour including Franchisee wages	$ 426,858	35.4%	$ 680,355	30.8%	$ 247,795	51.4%	$ 440,153	34.5%
Royalties	$ 84,434	7.0%	$ 154,390	7.0%	$ 33,754	7.0%	$ 89,222	7.0%
Advertising	$ 36,186	3.0%	$ 66,167	3.0%	$ 14,466	3.0%	$ 38,238	3.0%
Rent & outgoings	$ 65,511	5.4%	$ 90,496	4.1%	$ 66,546	13.8%	$ 57,548	4.5%
Controllable Expenses (*see below)	$72,985	6.1%	$ 99,578	4.5%	$ 65,850	13.7%	$ 112,362	8.8%
Other Expenses	$ 3,478	0.3%	$ 2,046	0.1%	$ 1,074	0.2%	$ 6,098	0.5%
Operating Profit	$ 218,619	18.1%	$ 593,598	26.9%	-$ 103,722	-21.5%	$ 211,492	16.6%

***Controllable Expenses - Averages**	**% of sales**
Audit & Accounting Fees	0.5%
Bank Fees	0.9%
Cleaning & Waste	0.4%
Repairs	0.8%
Utilities	1.8%
POS/IT Fees	0.4%
Other	1.3%

Total bakeries	131	
No. of Outlets With Operating Profit Above the Average	61	47%
No. of Outlets With Operating Profit Below the Average	70	53%

Operating Profit for Canadian Franchisee-Owned Outlets

July 2020 - June 2021

(in Canadian Dollars)

Franchised	**1st Quartile**		**2nd Quartile**		**3rd Quartile**		**4th Quartile**	
Sales	$ 1,576,840		$ 1,289,294		$ 1,070,795		$ 877,898	
COGS	$ 368,618	23.4%	$ 316,324	24.5%	$ 267,069	24.9%	$ 238,682	27.2%
Gross Profit	$ 1,208,221		$ 972,969		$ 803,726		$ 639,216	
Operating Costs								
Labor including Franchisee wages	$ 519,028	32.9%	$ 445,371	34.5%	$ 386,721	36.1%	$ 354,106	40.3%
Royalties	$ 110,379	7.0%	$ 90,251	7.0%	$ 74,956	7.0%	$ 61,453	7.0%
Advertising	$ 47,305	3.0%	$ 38,679	3.0%	$ 32,124	3.0%	$ 26,337	3.0%
Rent & outgoings	$ 63,241	4.0%	$ 69,220	5.4%	$ 65,930	6.2%	$ 63,593	7.2%
Controllable Expenses	$ 80,139	5.1%	$ 79,298	6.2%	$ 70,865	6.6%	$ 61,281	7.0%
Other Expenses	$ 3,648	0.2%	$ 3,668	0.3%	$ 3,491	0.3%	$ 3,092	0.4%
Operating Profit	$384,481	24.4%	$ 246,482	19.1%	$ 169,639	15.8%	$ 69,353	7.9%

You will operate your franchise in the United States. The financial performance representations in this Item 19 are based on the results of our affiliate's Canadian franchisee-owned outlets. From our limited experience with our two U.S. franchisee-owned outlets, we expect that you will experience higher labor costs due to the higher employer portion of payroll taxes (1% to 1.5%), higher bank charges because there are not enough U.S. outlets for us to obtain more competitive rates (1% to 1.5%), and higher electricity costs (1% to 1.5%).

It is also important to note that the dollar amounts provided above are Canadian dollars not U.S. dollars. On June 30, 2022 (the date of our fiscal year-end), one Canadian dollar was worth .7760 U.S. dollars. On the issuance date of this Disclosure Document, one Canadian dollar was worth .7245 U.S. dollars.

Some outlets have earned these amounts. Your individual results may differ. There is no assurance you will earn as much.

We urge you to consult financial, business and legal consultants to assist you in preparing *pro forma* financial statements and to assess the potential performance of the specific franchise opportunity being offered to you.

Written substantiation for these financial performance representations will be made available to you upon reasonable request.

Other than the preceding financial performance representations, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting John Gilson, Vice President, at Suite 210, 1100 Melville Street, Vancouver, British Columbia, Canada V6E 4A6, (604) 296-3500, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table Number 1 - Systemwide Outlet Summary for Years 2020 - 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised (US)	2020	1	1	0
	2021	1	2	+1
	2022	2	2	0
Franchised (Canada)	2020	111	119	+8
	2021	119	130	+11
	2022	130	146	+16
Company-Owned (US)	2020	0	0	0
	2021	0	0	0

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
	2022	0	0	0
Company-Owned (Canada)	2020	7	5	-2
	2021	5	2	-3
	2022	2	2	0
Total Outlets	2020	119	125	+6
	2021	125	134	+9
	2022	134	150	+16

Of the franchised outlets at the end of 2022 fiscal year, none are Business Lease outlets.

Table Number 2 - Transfers Of Outlets From Franchisees To New Owners (Other Than The Franchisor) for Years 2020 - 2022

State	Year	Number of Transfers
Connecticut	2020	0
	2021	0
	2022	0
Canada	2020	3
	2021	9
	2022	5
Total	2020	3
	2021	9
	2022	5

Table Number 3 - Status of Franchised Outlets for Years 2020 - 2022*

State	Year	Outlets at Star of Year	Outlets Opened	Termina-tion	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Connecticut	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Canada	2020	111	6	2	0	2	0	119
	2021	119	11	0	0	0	0	130
	2022	130	16	0	0	0	0	146
Total	2020	112	10	0	0	2	0	120
	2021	120	12	0	0	0	0	132
	2022	132	16	0	0	0	0	148

* If multiple events occurred affecting an outlet, this table shows the event that occurred the last time.

Table Number 4 - Status Of Company-Owned Outlets for Years 2020 - 2022

State	Year	Outlets at Star of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Canada	2020	7	0	2	0	4	5
	2021	5	0	0	1	2	2
	2022	2	0	0	0	0	2
Total	2020	7	0	2	0	4	5
	2021	5	0	0	1	2	2
	2022	2	0	0	0	0	2

Table Number 5 - Projected Openings As Of June 30, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the next Fiscal Year
Connecticut	0	0	2
New York	0	0	1
Canada	0	29	0
Total	0	29	3

Attached to this disclosure document as Exhibit Q is a list of our affiliate's franchisees in Canada as of June 30, 2022 and our franchisee as of June 30, 2022.

Exhibit Q also lists the name, city, province or state and telephone number of every Canadian franchisee of our affiliate or our U.S. franchisee who has had outlet terminated, cancelled, not renewed, transferred or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement in our fiscal year ended in 2022 or who has not communicated with the franchisor within 10 weeks of the issuance date of this disclosure document.

In some instances, current and former franchisees of our affiliate sign provisions restricting their ability to speak openly about their experiences with our affiliate. You may wish to speak with these current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. Typically, current and former franchisees will only be restricted from speaking about the terms of any settlement they reached with our affiliate.

If you purchase this franchise, your contact information may be disclosed to other prospective franchisees, including after you leave the franchise system.

We have not created, sponsored or endorsed any trademark-specific franchisee organization associated with the franchise system being offered to you. No independent franchisee organization has asked to be included in this disclosure document.

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document and designated Exhibit R are audited financial statements for the periods ended June 30, 2020, June 30, 2021, June 30, 2022 and unaudited financial statements for the fiscal quarter ended September 30, 2022.

ITEM 22
CONTRACTS

The following contracts are attached to this Disclosure document:

EXHIBIT C	Franchise Agreement
EXHIBIT D	State Amendments to the Franchise Agreement
EXHIBIT E	Sublease
EXHIBIT F	Sublease and Business Lease
EXHIBIT G	Agreement for Sale of Business
EXHIBIT H	Agreement of Commitment
EXHIBIT I	Loan Agreement
EXHIBIT J	General Security Agreement
EXHIBIT K	Training Agreement – prospective Franchisee or Franchisee
EXHIBIT L	Direct Debit Request and Authority
EXHIBIT N	Confidentiality Agreement
EXHIBIT M	Table of Contents of the Operations Manual
EXHIBIT O	Trainee and Trainer Obligations Booklet
EXHIBIT P	Franchisee Company Structure Policy

ITEM 23
RECEIPTS

See last 2 pages.

EXHIBIT A

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

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

Also listed are our agents for service of process for states where we have registered our franchise or have otherwise appointed an agent for service of process.

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
California	Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 (916) 445 7205 (866) 275-2677	
Connecticut	Banking Commissioner 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230	C T Corporation System One Corporate Center, Floor 11 Hartford, Connecticut 06103
Delaware		The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801
Florida	Department of Agriculture & Consumer Services Division of Consumer Services 2005 Apalachee Parkway Tallahassee, Florida 32399-6500 (850) 410-3800	
Hawaii	Business Registration Division Hawaii Department of Commerce & Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	
Illinois	Franchise Bureau Office of the Attorney General 500 South Second Street	

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	Springfield, Illinois 62706 (217) 782-4465	
Indiana	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	
Michigan	Consumer Protection Division, Antitrust and Franchising Unit Department of Attorney General G. Mennen Williams Building, 1st Floor 525 W. Ottawa Street P.O. Box 30212 Lansing, Michigan 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	
Nebraska	Staff Attorney Department of Banking & Finance Commerce Court 1230 O Street, Suite 400 Lincoln, Nebraska 68508-1402 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8285	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th floor Albany, New York 12231-0001 (518) 473-2492
North Dakota	North Dakota Securities Department Fifth Floor	

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	600 East Boulevard State Capitol, Fifth Floor, Department 414 Bismarck, North Dakota 58505 (701) 328-4712	
Oregon	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	
Rhode Island	Department of Business Regulation in the Service of Process Disclosure Document and State Administrators Sections Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 222-3048	
South Dakota	Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	
Texas	Statutory Document Section Secretary of State 1019 Brazos Austin, Texas 78701-2413 (512) 475-0775	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South SM Box 146704 Salt Lake City, Utah 84114-6704 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
Washington	Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760	
Wisconsin	Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4th Floor Madison, Wisconsin 53703 (608) 261-9555	

EXHIBIT B

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

The COBS USA Inc. Disclosure Document is revised for the following states as set forth below. We reserve the right to challenge the application in enforceability of the following provisions and underlying state franchise law.

CALIFORNIA

The following language is added to the Cover Page:

Our website, www.cobsbread.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

The following language is added to Item 17:

"THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR."

Neither the Franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 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 provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and following).

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.

The franchise agreement requires binding arbitration. The arbitration will occur in New York with the costs being borne by the non-prevailing party. 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 20040.4 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 franchise agreement requires application of the laws of the State of New York. This may not be enforceable in the State of California.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 3100 Through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

HAWAII

The following language is added to the Cover Page:

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

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

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

The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:

A. This proposed registration application is effective in the following states.

None

B. The proposed registration application is or will shortly be on file in the following states.

[Insert]

C. States which have refused, by order or otherwise, to register these franchises are.

None

D. States which have revoked or suspended the right to offer franchises are.

None

E. States which the proposed registration of these franchises has been withdrawn are:

None

ILLINOIS

Paragraph 705/4 of the Illinois Franchise Disclosure Act (the “Act”) provides that:

“Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State is void provided that a franchise agreement may provide for arbitration in a forum outside of this State.”

Rule Section 200.608 or the Act provides that:

“As described in Section 4 of the Act, a franchise agreement shall not require a franchisee to litigate any cause of action, with the exception of arbitration proceedings, arising under the franchise agreement or the Act outside of this state, nor shall a franchisee agreement provide for a choice of law provision for any state other than Illinois.”

The following language is added to Item 17:

The Franchise Agreement provides that if negotiation fails, any dispute between us or claim arising out of or relating to the Franchise Agreement or any other franchise related agreement will be arbitrated in New York City, New York under New York law, except that we may seek an injunction and other remedies to prohibit infringement of our intellectual property rights, disclosure of our confidential information and a breach of non-compete covenants in any court of competent jurisdiction. The Franchise Agreement also provides that if a court determines that our agreement to arbitrate a particular dispute is not enforceable, then the dispute must be litigated in New York City, New York under New York law. These provisions to the extent they dictate the location and governing law for court proceedings are not permitted under the Illinois Franchise Disclosure Act. For Illinois franchisees, all court proceedings must be in Illinois under Illinois law.

MARYLAND

The following language is added to Item 17:

Any limitation of claims shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law (the “Law”). Claims under the Law must be brought within 3 years after the grant of the franchise to you.

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Law.

The following language is added to Item 22:

Release (Current Form) - Exhibit A to Addendum To Disclosure Document. For The State Of Maryland

The following language is added to Exhibit I:

These representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Exhibit A to Addendum To Disclosure document For The State of Maryland

RELEASE

TO: [Name – Full Legal] and its affiliates (collectively, "**[Name – Short]**")

IN CONSIDERATION of the payment of $1.00 and such other good and valuable consideration, the sufficiency and adequacy of which is herein acknowledged, the undersigned, ____ (individually or collectively, as the case may be, the "**Releasor(s)**") hereby release(s) and forever discharge(s) [Name – Short] and its shareholders, directors, officers, employees, agents and representatives (collectively, the "**Releasees**") from any actions, causes of action, debts, liabilities, claims, demands and complaints of any kind whatsoever, both in law and in equity, whether implied or express (a "**Claim**") which the Releasor(s) now has or hereafter may have against any Releasee for or by reason of or in any way arising out of any cause, matter or thing done or omitted to be done existing at any time up to the later of the date of this release, or **[**Insert reference to effective date of event giving rise to this Release, i.e. the effective transfer or sale of the franchised business described below], including, without limitation, for or by reason of or in any way arising out of the franchise agreement, sublease, confidentiality agreement, [Insert description of event giving rise to this Release, i.e. the transfer or sale of the franchised business at [ADDRESS] ______________________________**]** and any other agreement or instrument entered into between the Releasor(s) and [Name – Short] relating to [ADDRESS] __________________________________**.**

The Releasor(s) further agrees not to make any Claim against any person, firm, corporation or other entity which might claim contribution, indemnity or other relief from the Releasees or any of them with respect to any such Claim. The provisions hereof shall enure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the Releasees and shall be binding upon the heirs, executors, administrators, legal representatives, successors and assigns of the Releasor(s).

[If required, insert language necessary to make this Release effective under federal and state law.]

Pursuant to COMAR 02.02.08.16L, this Release does not apply to any liability under Maryland Franchise and Disclosure Law.

IN WITNESS WHEREOF, the Releasor(s), do(es) execute this release as of this ____________________.

______________________________	______________________________
Witness	**FRANCHISE GUARANTOR**
______________________________	**OPERATING COMPANY**
Witness	
	Per:________________________
	(Authorized Signatory)

MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSCRIPTION 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 ARE SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS

SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

i. THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

ii. THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

iii. THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

iv. THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

MINNESOTA

1. The Minnesota Department of Commerce requires that [Name - Short] indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Franchisee's use of the Marks infringes trademark rights of the third party. Item 13 states that [Name - Short] does indemnify against the consequences of Franchisee's use of the Marks but only to a maximum amount equal to the initial franchise fee paid by Franchisee.

The following language is added to Item 13:

For Minnesota franchisees, if the indemnification provision concerning your use of the Marks is inconsistent with Minnesota Department of Commerce requirements, it shall be superceded by these requirements and shall have no force or effect.

2. **The following language is added to Item 17:**

Section 80C.14, Subd. 4. of the Minnesota Franchise Act, Miss. Stat. Section 80.01 et seq., and the Rules and Regulations promulgated under it (collectively the "Minnesota Franchise Act") requires, except in certain specified cases, that a Minnesota franchisee be given written notice of a franchisor's intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. These Minnesota Franchise Act requirements are in addition to and may supercede the renewal provisions described in Item 17(b).

Section 80C.14, Subd. 3. of the Minnesota Franchise Act requires, except in certain specified cases, that a Minnesota franchisee be given 90 days notice of termination (with 60 days to cure). These Minnesota Franchise Act requirements are in addition to and may supercede the renewal provisions described in Item 17(e)-(h).

If you are required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, for Minnesota franchisees such release shall exclude claims arising under the Minnesota Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act. The releases referred to in Item 17(c) and (m) are subject to the preceding statement.

For Minnesota franchisees, to the extent the Franchise Agreement requires it to be governed by a state's law, other than the State of Minnesota or provides for arbitration or mediation, these provisions shall not in any way abrogate or reduce any rights of the franchisee as provided for in the Minnesota Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota. These requirements are in addition to and may supercede the provisions described in Item 17(u), (v) and (w).

Section 80C17, Subd.5. of the Minnesota Franchise Act states that no civil action may be commenced for violation of the Minnesota Franchise Act more than 3 years after the cause of action accrues. Section 21(26)(f) of the Franchise Agreement contains certain time limits on commencing actions. For Minnesota franchisees, to the extent that these limitations are inconsistent with those under the Minnesota Franchise Act, the provisions of the Franchise Agreement are superceded by the Minnesota Franchise Act's requirements and shall have no force or effect.

<u>NEW YORK</u>

1. The following language is added to the cover page:

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 THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

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

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

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 the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "***Choice of law***":

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

RHODE ISLAND

1. The following language is added to Item 3:

No person identified in Item 2:

a. Is subject to any currently effective order of the securities and exchange commission or the securities administrator of any state denying registration to or revoking or suspending the registration of such person as a securities broker or dealer or investment advisor, or is subject to any currently effective order of any national securities association.

b. Is subject to any currently effective injunction or restrictive order relating to business activity as a result of an action brought by any public agency or department, including, without limitation, actions affecting a license as a real estate broker or salesman.

VIRGINIA

The following language is added to the Cover Page:

THIS DISCLOSURE DOCUMENT IS PROVIDED FOR YOUR OWN PROTECTION AND CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THIS DISCLOSURE DOCUMENT AND ALL CONTRACTS AND AGREEMENTS SHOULD BE READ CAREFULLY IN THEIR ENTIRETY FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

A FEDERAL TRADE COMMISSION RULE REQUIRES FRANCHISORS TO FURNISH THEIR DISCLOSURE DOCUMENT TO PROSPECTIVE FRANCHISEES FOURTEEN CALENDAR DAYS BEFORE THE PROSPECTIVE FRANCHISEE SIGNS A BINDING AGREEMENT WITH OR MAKE ANY PAYMENT TO, THE FRANCHISOR OR AN AFFILIATES.

ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE VIRGINIA RETAIL FRANCHISING ACT AS AMENDED, REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIVISION OF SECURITIES AND RETAIL FRANCHISING OF THE VIRGINIA STATE CORPORATION COMMISSION OR A FINDING BY THE DIVISION OF SECURITIES AND RETAIL FRANCHISING THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, ACCURATE OR NOT MISLEADING.

IF THIS DISCLOSURE DOCUMENT IS NOT DELIVERED ON TIME, OR IF IT CONTAINS A FALSE, INCOMPLETE, INACCURATE OR MISLEADING STATEMENT, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE VIRGINIA DIVISION OF SECURITIES AND RETAIL FRANCHISING, 1300 EAST MAIN STREET, RICHMOND, VIRGINIA 23219.

The name and address of the Franchisor’s agent in Virginia authorized to receive service of process is:

Clerk of the State Corporation Commission
1300 E. Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, FINAL DISCLOSURE QUESTIONNAIRE, AND RELATED AGREEMENTS

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.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

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.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _________________ day of _______________________ 20______.

______________________________	__________________________________
Franchisor Name	**Prospective Franchisee**

This addendum may also be used as a rider to the offering circular.

EXHIBIT C

SAMPLE

COBS BREAD FRANCHISE AGREEMENT

Franchise Agreement

DATE OF FRANCHISE AGREEMENT:	
FRANCHISEE:	**«FRANCHISEENAME»**
BAKERY NAME:	«Businessnamearea»
ADDRESS OF BAKERY PREMISES:	«Businesspremisesaddress»
BAKERY NO.	«BakeryNumber»

FRANCHISE AGREEMENT

COBS USA Inc., the Franchisor, owns or has the rights to all intellectual property relating to the conduct of COBS Bread bakery businesses in the United States. The unique system under which the Franchisor requires all of its franchisees to conduct their bakery businesses has been developed and refined over many years by the Franchisor and its Affiliates or Associates. The components of this system and the Franchisor's recipes are confidential.

This is the Franchise Agreement covering the Franchisee's entitlement to operate a COBS Bread Bakery at the Bakery Premises (as those terms are defined in this Agreement).

Under this Agreement, the Franchisee will be obliged to establish, operate and conduct a bakery business strictly in accordance with the Franchisor's system. This obligation is essential and fundamental to the Franchisee's continued right to conduct such bakery business as a COBS Bread franchisee. The obligations that are imposed on the Franchisee by this Agreement are necessary to maintain high standards and uniformity within the COBS Bread group, this being regarded by the Franchisor as fundamental to the ongoing success of the group.

The Franchisor has leased or will lease the Bakery Premises and will permit the Franchisee to occupy the Bakery Premises during the Term of this Agreement.

CONTENTS

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is made as of the date described in Item 4.

PARTIES

FRANCHISOR:	COBS USA Inc., a company incorporated under the laws of the State of Delaware having an office at Suite 210 1100 Melville Street, Vancouver, British Columbia, Canada V6E 4A6. Wherever relevant, "the Franchisor" includes the Franchisor's directors, officers, employees and any person the Franchisor authorizes.
FRANCHISEE:	The party described in Item 1. Wherever relevant, "the Franchisee" includes the Franchisee's officers, managers, employees, agents and any person the Franchisee allows on the Bakery Premises (except members of the public).
BAKERY PRINCIPAL:	The party described in Item 2.
GUARANTOR(S):	The party or parties described in Item 3.

AGREEMENT

The parties, intending to be legally bound, agree as follows:

PART 1
DEFINITIONS

1. Unless otherwise defined in this Agreement, the words that have been capitalized below have the following meanings:

Affiliate:
includes a relationship between two Business Entities, if one of them is controlled by the other, or both of them are controlled by the same person or entity, directly or indirectly.

Agreement:
means this Franchise Agreement, as amended from time to time, and all Schedules attached to this Agreement.

Approved Equipment, Products and Services:

means the Bakery Equipment, raw materials, ingredients, packaging, uniforms, communications equipment and services, the Technology, merchant services and other products and services, more particularly described in the Manuals or otherwise by the Franchisor from time to time.

Approved Suppliers:

means the suppliers specified or approved by the Franchisor from time to time to provide the Approved Equipment, Products and Services.

Assets:

means such of the Franchisee's fixtures, fittings, plant and equipment, including the Bakery Equipment, used in connection with the Bakery Business that are not already owned by the Franchisor and that the Franchisor chooses to purchase if it exercises the option in Section 152.

Associate:

in respect of a relationship with a person, means

(a) a Business Entity of which that person beneficially owns or controls, directly or indirectly, equity interests, or securities currently convertible into equity interests, carrying more than ten per cent of the voting rights under all circumstances or by reason of the occurrence of an event that has occurred and is continuing, or a currently exercisable option or right to purchase such equity interests or such convertible securities;

(b) a partner of that person acting on behalf of the partnership of which they are partners;

(c) a trust or estate or succession in which that person has a substantial beneficial interest or in respect of which that person serves as a trustee or liquidator of the succession or in a similar capacity;

(d) a spouse of that person or an individual who is cohabiting with that person in a conjugal relationship, having so cohabited for a period of at least one year;

(e) a child of that person or of the spouse or individual referred to in paragraph (d); and

(f) a relative of that person or of the spouse or individual referred to in paragraph (d), if that relative has the same residence as that person.

Bakery Business:

means the business conducted by the Franchisee under this Agreement.

Bakery Equipment:

means all equipment specified by the Franchisor in the Manual or otherwise, in writing, from time to time, to be installed or used in the Bakery Premises to enable the Franchisee to operate the

Bakery Business including, but not limited to, production equipment such as mixers, divider, moulder, bun rounder, water chiller, prover, oven, cheese shredder, slicer and slicer blades, exhaust canopy, refrigerator and freezer, sink and basin, cleaner's sink, knockout bench, ingredients bench, prover racks, pallets, ingredients racks, wire baskets, wires, steel trays, aluminium trays, bread stick tins, tins (various sizes), pipe tins, cleaning equipment, various small items of bakery equipment, security equipment, point of sale and office equipment and marketing equipment.

Bakery Premises:

means the premises described in Item 5.

Bakery Premises Lease:

means the lease agreement in effect from time to time under which the Landlord leases the Bakery Premises to the Franchisor.

Bakery Set-Up Estimate:

means the sum specified in Item 12 of the Schedule being the estimated Establishment Costs for the fitout and equipping of the Bakery Premises and more particularly set out in the Preliminary Estimate.

Breach Notice

means a written notice given by the Franchisor to the Franchisee which:

(a) specifies the breach or breaches of this Agreement by the Franchisee;

(b) informs the Franchisee what it must do to remedy the breach or breaches, including a timeframe for remedying the breach or breaches (which timeframe must be reasonable but need not exceed 30 days); and

(c) states that if the Franchisee does not remedy the breach or breaches within the timeframe specified in the notice the Franchisor may terminate this Agreement.

Business Assets:

means those assets described in Item 6.

Business Day:

means any day on which banking corporations are open in New York City, New York for the conduct of normal and usual banking.

Business Entity:

means a corporation, a limited liability company, a partnership, a limited partnership, a limited liability partnership or any other type of entity formed for the purpose of operating a business or holding assets.

Business Lease:

means the Business Lease, if any, described in Section 21. The Business Lease is entitled Sublease and Business Lease.

Business Plan:

means a plan for the Franchisee's business covering matters prescribed by the Franchisor including but not limited to operation and management, local advertising and marketing, revenue and expense budgets, cash flow projections on an annual basis, and any other matters that the Franchisor may reasonably request, and all in the form that the Franchisor may reasonably require.

COBS Bread Bakery:

means the business of a retail bakery operated according to the COBS Bread System under the "COBS Bread" name and logo.

COBS Bread Menu:

means the list of products issued by the Franchisor from time to time, which may or must be sold by a COBS Bread Bakery.

COBS Bread System:

means the comprehensive bakery system for the production and retail sale of quality products within the COBS Bread Menu developed by the Franchisor and more fully described in Sections 2 to 3.

Competitive Business:

means any business that offers (or grants franchises or licenses to others to operate a business that offers) baked goods, breads and other products similar to those provided by a COBS Bread Bakery for which sales of such products constitute (or are reasonably expected to constitute) over thirty percent (30%) of its gross sales in any calendar quarter or a business in which know-how or other Confidential Information could be used to the disadvantage of the Franchisor, any related entities or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to:

(a) any business operated by Franchisee under a Franchise Agreement with the Franchisor; or

(b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest**.**

Control:

means the ability to exercise votes attached to equity interests of a Business Entity which are:

(a) sufficient to elect a majority of directors or managers;

(b) sufficient to directly authorize action by the Business Entity; or

(c) beneficial ownership, other than by way of security only, of a majority of the general partnership interests in a partnership, limited partnership or limited liability partnership.

Confidential Information:

means all confidential information, documents and materials in any form or medium disclosed or provided or made available to the Franchisee or its employees or agents by the Franchisor or its employees or agents in connection with the Franchisor, any Affiliate or Associate of the Franchisor, the Franchisee, the Bakery Business, other COBS Bread Bakeries, the methods by which a COBS Bread Bakery is or may be conducted including:

(a) the contents of this Agreement, the COBS Bread Disclosure Document and any ancillary documents the Franchisee is required to sign;

(b) all components of the COBS Bread System, including any improvements or developments in the COBS Bread System;

(c) the contents of the Manuals, including any improvements or developments in the Manuals;

(d) the Recipe Book, raw materials and ingredients used in making products within the COBS Bread Menu;

(e) methods or techniques used in making products within the COBS Bread Menu;

(f) trade secrets and know how, including practical information, business methods or experience relating to the COBS Bread System and standards;

(g) designs and plans for the set-up, store layout and appearance of the Bakery Business and other COBS Bread Bakeries;

(h) any computer software or databases used in the COBS Bread System;

(i) advertising and marketing strategies;

(j) financial information about the Franchisor or any Affiliate or Associate or any other COBS Bread Bakery;

(k) all other materials and all other information in relation to training programs, prices, suppliers, supply contracts, trading terms, Customers, the COBS Bread System, and the conduct of a COBS Bread Bakery; and

(l) any other information which the Franchisor advises the Franchisee is confidential,

but does not include information that is generally available in the public domain.

Costs:

means any charges, fees, expenses, outgoings, payments or other expenditure, including fees payable to contractors and consultants and includes Legal Costs.

Creditors:

means suppliers, employees, the Landlord and other creditors of the Bakery Business or the Franchisee.

Customer or Customers:

means any persons who have approached the Franchisee for products that are sold in the Bakery Business or with whom the Franchisee has had dealings in the course of the Bakery Business, including any wholesale customers which the Franchisee is permitted to supply pursuant to Section 33(b).

Customer Loyalty Program:

means any program set out in the Manuals, which is established and conducted by the Franchisor from time to time to promote Customer loyalty.

Customer Satisfaction Program:

means any program set out in the Manuals, which is established and conducted by the Franchisor from time to time for monitoring and evaluating Customer satisfaction.

Default Interest Rate:

means the lesser of:

(a) the rate being 3 percentage points higher than the annual rate designated by the Wall Street Journal as its "WSJ Prime Rate" from time to time, or if the Wall Street Journal no longer publishes its WSJ Rate, then the rate being 3 percentage points higher that the annual rate designated by the Franchisor's principle U.S. bank as its "Prime Rate" from time to time; or

(b) the highest rate permitted by applicable law.

Digital Media:

means any form of electronic media operating through digital codes, whether such media is now in existence or which comes into existence in the future, including digital media received or transmitted through audio-visual devices, online, computer terminals, TV, radio, print, personal communication devices.

Directors or Managers:

means the persons named in Item 21.

Dispute Notice:

means a notice given by one party to this Agreement to another party setting out:

(a) full particulars of the nature of the dispute;

(b) the outcome desired by the party issuing the notice; and

(c) the action that party considers is necessary to settle the dispute.

Establishment Costs:

means all Costs (plus applicable taxes) incurred in connection with the construction, fitout and equipping of the Bakery Premises to enable the Franchisee to commence operating the Bakery Business, as set out in the Preliminary Estimate, including, but not limited to:

(a) fees payable for necessary consents,permits and approvals;

(b) design fees and architect's fees and sums payable to the Landlord;

(c) the purchase price payable for all fixtures, fittings and Bakery Equipment used in the construction and fitout of the Bakery Premises;

(d) the Franchise Purchase Fee;

(e) the Project Management Fee;

(f) sums payable to contractors for the construction and fitout of the Bakery Premises;

(g) initial sums payable under the Bakery Premises Lease; and

(h) such other sums payable by the Franchisee to the Franchisor prior to the Franchisee commencing operation of the Bakery Business,

but excluding any Landlord's Contribution.

Expiry Date:

means the expiry date of the Franchise, as set out in Item 11.

Five Star Program:

means the quality control system developed by the Franchisor known as Five Star more particularly described in the Manuals and as amended by the Franchisor from time to time.

Franchise:

means the franchise granted by the Franchisor to the Franchisee under the terms of this Agreement, as set out in Section 8.

Franchise Purchase Fee:

means the franchise purchase fee set out in Item 9.

Gross Sales:

means, for any period, the total dollar amount of all sales of goods in or from the Bakery Premises or in connection with the Bakery Business, whether for cash, credit or barter and including the proceeds of any business interruption insurance, and including Sales Tax and other taxes relating to such sales.

Handover Date:

means the date the Franchisor advises the Franchisee, in writing, that the Bakery Premises are complete (with the exception of any minor defects or works) being the date the Bakery Premises are ready for occupation by the Franchisee.

Intellectual Property:

includes the Trademarks, the Confidential Information, any logos or other commercial symbols used in the Bakery Business, copyright in all written material and other works produced by the Franchisor or its Affiliate or its Associate or the Franchisee, including the Manuals and the Recipe Book, the COBS Bread website and domain name, the Confidential Information, any parts of the Technology that have been developed specifically by or on behalf of the Franchisor, all inventions and discoveries made by the Franchisor or its Affiliate or its Associate or the Franchisee or other franchisees and the patents designs, trade secrets, know-how and goodwill in connection with a COBS Bread Bakery and other intellectual property of all kinds owned, used or licensed by the Franchisor.

Item:

means an item set out in Schedule A.

Landlord:

means the person or corporation who, under the Bakery Premises Lease leases the Bakery Premises to the Franchisor.

Landlord's Contribution:

means the contribution to be provided by the Landlord of the Bakery Premises towards the construction and fitout of the Bakery Premises.

Legal Costs:

means all reasonable legal fees, costs, expenses and disbursements incurred by a party.

Licensed Software:

means the computer software program, including but not limited to the point of sale software, specified by the Franchisor in the Manuals or otherwise, in writing, by the Franchisor from time to time which is owned or licensed by the Franchisor for sublicense to franchisees in the Network, including any upgrades, modifications, enhancements, extensions and other changes developed or adopted by the Franchisor and which program is to be installed on the computer equipment used by the Franchisee on the conduct of the Bakery Business.

Licensed Software Fee:

means the continuing monthly fee specified by the Franchisor from time to time for the Franchisee's use and access to the Licensed Software and any support services and assistance with respect to the Licensed Software provided by the Franchisor pursuant to Section 91(m)(2).

Management Period:

means a term expiring not later than 12 months after the happening of a Relevant Event or a Separation (as the case may be).

Mandatory Sale Notice:

means a written notice given by the Franchisor to the Franchisee which states that the Franchisor requires the Franchisee to sell and complete the sale of the Bakery Business by the Required Sale Date.

Manuals:

means the various COBS Bread manuals and/or the Recipe Book and/or directives, policies, guidelines and instructions issued and updated by the Franchisor or its Affiliate or its Associate from time to time (whether in printed hard copy form, electronic form or in any other form).

Mystery Shopper Program:

means any program set out in the Manuals, which is established and conducted by the Franchisor from time to time for monitoring and evaluating franchisee performance and adherence to the terms of this Agreement and the Manuals.

Net Sales:

means Gross Sales less Sales Tax and other taxes relating to such sales.

Network:

means the network of COBS Bread Bakery businesses operated by the Franchisor, the Franchisee and all other franchisees of the Franchisor.

New Bakery Premises:

means the premises from which the Franchisee will conduct the Bakery Business under this Agreement in the event of a relocation pursuant to Sections 76 and 77.

Opening Promotion Amount:

means the opening promotion amount specified in Item 15.

Overholding Fee:

means the fee payable by the Franchisee to the Franchisor for being permitted, in accordance with the provisions of Sections 16 and 17, to continue to operate the Bakery Business after the expiry of the Term, such fee to be calculated based on the Franchisor's franchise purchase fee for a 10 year term payable by all new franchisees as at the Expiry Date divided by the number of days that the Franchisee continues to operate the Bakery Business (with the Franchisor's permission after the expiry of the Term in accordance with the provisions of Sections 16 and 17.

For example: If the Franchisor's franchise purchase fee for a 10 year term is $25,000 (plus applicable taxes) the Overholding Fee shall be $6.84 (plus applicable taxes) per day.

Percentage Rent:

means the percentage rent or turnover rent as defined in the Bakery Premises Lease being the amount of additional rent that may be payable under the Bakery Premises Lease calculated as a percentage of the sales or turnover of the Bakery Business.

Preliminary Estimate:

means the document provided by the Franchisor to the Franchisee, at or prior to the provision of this Agreement, setting out the construction and fitout works to be performed in respect of the Bakery Premises, the Bakery Equipment to be installed in the Bakery Premises and the Bakery Set-Up Estimate.

Privacy Laws:

means, to the extent applicable, all federal, state and local laws and regulations of the United States, plus all laws and regulations of foreign countries, relating to:

(a) any right of an individual, or any obligation of an individual or entity in possession of any information of such individual, to protect such information;

(b) the collection, storage, disclosure, use or protection of any information of an individual;

(c) any obligation of an individual or entity in possession of information of an individual to notify such individual or third parties (including, but not limited, any governmental authorities) how such information will be collected, stored, used, disclosed or protected;

(d) any obligation of an individual or entity to report to, or notify, a third party (including, but not limited, any governmental authorities) of, or take any other action regarding, the loss or unauthorized access, disclosure or use of any such information; or

(e) otherwise to the privacy, or information, of an individual.

Project Management Fee:

means the sum specified in Item 13 of the Schedule.

Recipe Book:

means the COBS Bread recipe book issued and updated by the Franchisor from time to time (whether in printed hard copy form or electronic form or in any other form) setting out all recipes for the products in the COBS Bread Menu to be sold in the Bakery Business.

Refurbishment Works:

means the works specified by the Franchisor in any notice issued under Section 75(c).

Relevant Event:

means if:

(a) the Bakery Principal dies; or

(b) a qualified medical practitioner certifies that the Bakery Principal is incapacitated to such an extent that he or she is no longer capable of effectively managing the Bakery Business and such incapacity is reasonably expected to be permanent; or

(c) the Bakery Principal ceases to manage and devote his or her whole time and attention to the Bakery Business during business hours.

Required Sale Date:

means the time and date by which the Franchisor requires the Franchisee to sell and complete the sale of the Bakery Business as specified in a Mandatory Sale Notice given by the Franchisor to the Franchisee pursuant to Section 141(c).

Sales Tax:

means any sales, consumption, use or excise tax imposed by the laws of the jurisdiction in which the Bakery Premises are located.

Security Retention Period:

means the period specified in Item 16.

Security Retention Sum:

means the sum specified in Item 17.

Separation:

occurs if the Franchisee (is a married couple or partners living together in a de facto relationship) and they permanently cease living together as husband and wife or as de facto partners.

Serious Offence:

means an offence under any law for which the Franchisee or the Bakery Principal would be liable on first conviction to imprisonment for a period of not less than 5 years.

Shareholders or Members:

means the persons named in Item 22.

Starting Date:

means the commencement date of the Franchise, as set out in Item 10.

Sublease:

means the Sublease, if any, described in Section 21.

Technology:

means information technology, equipment and services, including but not limited to the computer hardware such as stationery computers, portable computers, tablets, mobile devices, point of sale hardware and terminals and any other electronic facilities or devices and modems and computer software, including but not limited to, the Licensed Software, accounting software, online ordering software, virus protection software to be used by the Franchisee in the Bakery Business as specified by the Franchisor in the Manuals or otherwise, in writing, by the Franchisor from time to time and which are fully compatible with any other relevant part of the Franchisor's computer system.

Technology Agreement:

means (if the Franchisor supplies the Technology to the Bakery Business) the agreement in the form required by the Franchisor from time to time, pursuant to which the Franchisor will supply the Technology to the Franchisee.

Term:

means the term commencing on the Starting Date and expiring on the earlier of:

(a) the Expiry Date;

(b) the termination of this Agreement under Sections 141 or 143; and

(c) the termination of the Sublease or Business Lease (as applicable).

Termination Event:

occurs if the Franchisee or the Bakery Principal:

(a) has not entered into a Sublease or Business Lease, or any other ancillary agreement required herein or in Schedule A, as the case may be, with the Franchisor within 6 months after the date of this Agreement; or

(b) has not successfully completed the Franchisor's training program pursuant to the Training Agreement entered into pursuant to Part 3 of this Agreement within 6 months after the date of this Agreement; or

(c) no longer holds a licence or authority that the Franchisee may require to carry on the Bakery Business or the Franchisee's right to occupy the Bakery Premises is terminated; or

(d) enters into, or becomes the subject of, any form of insolvency or bankruptcy proceeding, such as voluntary administration, receivership, liquidation, bankruptcy or any arrangement under bankruptcy or insolvency laws; or

(e) in the case of a franchisee that is a corporation or limited liability company, it is voluntarily or administratively dissolved, its charter documents are revoked or it is otherwise declared inactive by the state where it is domiciled; or

(f) voluntarily abandons the Bakery Business or the franchise relationship between the Franchisee and the Franchisor or if the Bakery Principal ceases to work on a full time basis in the Bakery Business); or

(g) is convicted of a Serious Offence; or

(h) operates the Bakery Business in a way that endangers public health or safety or negatively impacts the COBS Bread System or the Trademarks; or

(i) acts fraudulently in connection with the operation of the Bakery Business; or

(j) if the Franchisee, having been served with a Breach Notice, does not remedy the breach within the timeframe specified in the Breach Notice and in the manner specified in the Breach Notice.

Territory:

means the territory described in Item 8.

Trademarks:

means the registered and pending trademarks referred to in Item 7.

Transfer Fee:

means the transfer fee specified in Item 18.

Weekly Advertising and Marketing Contribution:

means the weekly advertising and marketing contribution specified in Item 15.

Weekly Royalty Payment:

means the weekly royalty payment specified in Item 14.

PART 2
THE FRANCHISE

The COBS Bread System

2. The Franchisor has developed or acquired and operates the COBS Bread System, which the Franchisee acknowledges the Franchisor may improve and modify from time to time and which includes:

(a) the Franchisor's and its Affiliate's or Associate's proprietary rights in the Intellectual Property, Trademarks, service marks and trade names, including the trade name "COBS Bread";

(b) designs and colour schemes for premises or buildings at which COBS Bread Bakeries are located;

(c) the installation and use of the Bakery Equipment that meets the Franchisor's stringent quality, reliability, accounting and reporting requirements and that are sourced from suppliers who meet the Franchisor's stringent supply and servicing requirements;

(d) the use of Approved Equipment, Products and Services being the raw materials, ingredients, packaging, uniforms, communication equipment and services, Technology, merchant services and other products and services, more particularly described in the Manuals or otherwise by the Franchisor from time to time that meet the Franchisor's stringent quality and reliability requirements and that are sourced from suppliers who meet the Franchisor's stringent supply and service requirements;

(e) designs for the layout and appearance of COBS Bread Bakeries;

(f) recipes, formulae and specifications for products within the COBS Bread Menu;

(g) the Manuals and the contents of the Manuals, including the Recipe Book and the contents of the Recipe Book;

(h) consistency in the operation of all COBS Bread Bakeries as to layout and appearance, product range, merchandising techniques and customer service;

(i) the provision of extensive training programs by the Franchisor for the benefit of franchisees and their employees;

(j) the provision of support and assistance by the Franchisor when the Franchisor reasonably believes such support and assistance is required;

(k) the development and implementation of advertising and marketing strategies and materials for all COBS Bread Bakeries and for specific local areas;

(l) the engendering of a philosophy of co-operation and support between all COBS Bread stakeholders, including the Franchisor, its Affiliates, its Associates all franchisees, bakery principals and suppliers; and

(m) a willingness on the part of the Franchisor to firmly enforce its rights in the event that a franchisee or bakery principal conducts themselves in a manner inconsistent with the COBS Bread System or this Agreement or any ancillary agreements to which they are a party.

3. The foundation and essence of the COBS Bread System is the adherence by franchisees to the Franchisor's standards and policies providing for the uniform operation of all COBS Bread Bakeries including, but not limited to:

(a) selling only those products within the COBS Bread Menu in accordance with the Franchisor's merchandising techniques and required pricing systems;

(b) the use of only prescribed equipment and software and building layout and designs;

(c) the use of prescribed suppliers, or alternatives acceptable to Franchisor, for raw materials, ingredients, packaging, uniforms and other core bakery supplies;

(d) strict adherence to all recipes, formulae and specifications for products permitted to be sold from COBS Bread Bakeries;

(e) strict adherence to prescribed standards of quality, service and cleanliness in bakery operation;

(f) the maintenance of a direct, cooperative working relationship between the Bakery Principal, as the Franchisee's representative, and the Franchisor; and

(g) complying with and carrying out all improvements and modifications to the COBS Bread System promptly and within the time prescribed by the Franchisor for doing so, as if they were a part of the COBS Bread System at the time of execution of this Agreement.

4. The success of the Franchisor, the Franchisee and the COBS Bread System generally is reliant on the collaborative relationship between all of the franchisees from time to time so as to ensure a uniform offering to Customers to instil Customer confidence in the COBS Bread System and continue to allow the Franchisee to provide quality products to Customers at competitive pricing.

5. The Franchisee, the Bakery Principal and the Guarantors acknowledge that it is the Franchisor's policy not to grant franchises to individuals who do not play a substantial role in the operation and management of the COBS Bread Bakery or to Business Entities which are owned and/or controlled by individuals who do not play a substantial role in the operation and management of the COBS Bread Bakery. The Franchisee, the Bakery Principal and the Guarantors warrant that the Bakery Principal:

(a) is either the Franchisee or, where the franchisee is a Business Entity, Controls the Franchisee; and

(b) will play a substantial role in the operation and management of the Bakery Business.

6. The Franchisee, the Bakery Principal and the Guarantors further warrant as follows:

(a) where the Franchisee is a Business Entity:

(1) that the Directors or Managers are those listed in Item 21;

(2) that the Shareholders or Members are those listed in Item 22 and are the beneficial holders of all the issued equity interests in the Franchisee;

(b) that each of them is solvent and is able to pay all their debts as and when they fall due for payment;

(c) that none of them have been convicted of, or had a charge proven against them, in relation to:

(1) any indictable offence involving dishonesty;

(2) any indictable offence involving physical or mental harm to another person; or

(3) any Serious Offence;

(d) that all information provided to the Franchisor for consideration by the Franchisor in connection with the Franchisee's application for this Franchise is true and correct and not misleading in any particular and no relevant information has been excluded; and

(e) they have disclosed to the Franchisor all facts and things concerning themselves, including their financial position and past business history, which could reasonably be considered relevant to the Franchisor's decision to grant the Franchise to the Franchisee.

Acknowledgements

7. The Franchisee, the Bakery Principal and the Guarantors acknowledge that each of them have:

(a) received a copy of the Franchisor's Disclosure Document where required by applicable law at least 14 days prior to the earlier of signing this Agreement or any other agreement relating to the Franchise, or paying any consideration to the Franchisor or any Affiliate relating to the Franchise, except as permitted by applicable law; and

(b) received a copy of the Franchisor's Franchise Agreement in the form to be executed by the Franchisee at least 7 days before it was executed, and if the Franchisor made any material and unilateral changes to the form of Franchise Agreement to be executed by the Franchisee, the Franchisee was provided 7 days to review it prior to the earlier of signing this Agreement or any other agreement relating to the Franchise, or paying any consideration to the Franchisor or any Affiliate relating to the Franchise;

(c) New York and Rhode Island law require that a prospective franchisees be provided with a franchisor's Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. If any of these laws are applicable, it is acknowledge that this was done;

(d) Michigan law requires that a prospective franchisees be provided with a franchisor's Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. If this law is applicable, it is acknowledge that this was done;

(e) conducted an independent investigation of the COBS Bread System and the proposed Bakery Business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of the Franchisee, and of the Bakery Principal as an independent business person.

The Franchisor expressly disclaims the making of, and the Franchisee, the Bakery Principal and the Guarantors each acknowledge that they have not received, any warranty or guarantee, express or implied, as to the potential or minimum sales volume, expenses, income, earnings, profits or success of the Bakery Business.

The Franchisee, the Bakery Principal and the Guarantors each acknowledge that the Franchisor is entitled to the benefit of all rebates and allowances it may obtain from any supplier of goods or services to franchisees.

The Franchisee, the Bakery Principal and the Guarantors each acknowledge that the Franchisor and its Affiliates or its Associates may directly or indirectly acquire, develop, operate, licence or franchise any form of business anywhere which is not specifically granted, franchised or licensed exclusively to the Franchisee under this Agreement, using the same, a similar or a different trademark, and whether or not competitive through a different channel of trade or under a different trademark with the Bakery Business.

The Franchisee, the Bakery Principal and the Guarantors further acknowledge that:

(f) each of them have consulted a lawyer and received independent advice about their decision to purchase a COBS Bread franchise;

(g) their lawyer has explained to them the terms of this Agreement and all ancillary agreements;

(h) they have fully understood their lawyer's explanation;

(i) they have consulted an accountant and received independent advice about their decision to purchase a COBS Bread franchise;

(j) their accountant has advised them that commencing or purchasing any business, whether franchised or not, is risky and that many factors may cause the Bakery Business to operate at a far lower level than they anticipate;

(k) the Franchisor has not made any statements or representations to them that have induced them to enter into this Agreement apart from those recorded in Item 19 or the Franchisor's Disclosure Document.

Grant

8. In consideration of the Franchisee's payment to the Franchisor of the Franchise Purchase Fee and the compliance with the obligations imposed on the Franchisee, the Bakery Principal and the Guarantors under this Agreement, the Franchisor grants to the Franchisee a franchise to conduct a single COBS Bread Bakery at the Bakery Premises in accordance with the COBS Bread System and on the terms and conditions set out in this Agreement (the "Franchise").

9. The grant of the franchise under Section 8 is subject to the Franchisee and/or the Bakery Principal successfully completing any training program required by the Franchisor at the Franchisee's own Cost.

10. In conducting the Bakery Business, the Franchisee has the non-exclusive licensed right to use the Trademarks and such other parts of the Intellectual Property as the Franchisor prescribes.

11. The Franchisee acknowledges that:

(a) the Franchise granted is for the conduct of a single COBS Bread Bakery;

(b) the Franchisee shall not be entitled to be granted a second franchise or multiple franchises or to sub-franchise or lease the Bakery Business to another person;

(c) the decision as to whether the Franchisee will be entitled to be granted a second or multiple franchises or to be given permission to sub-franchise or lease the Bakery Business is entirely at the Franchisor's discretion;

(d) from time to time the Franchisor may issue policy statements setting out its criteria for the granting of second or multiple franchises or sub-franchising or leasing of Bakery Businesses and;

(1) the Franchisor shall be entitled to change such policy statements and criteria in its absolute discretion; and

(2) such policy statements are not binding on the Franchisor and cannot be relied upon by the Franchisee, should the Franchisor decide not to grant the Franchisee an additional franchise or refuse to consent to a sub-franchise or lease of the Bakery Business.

Duration

12. The Franchise shall be for the Term.

Possible Renewal

13. At least 3 months prior to the Expiry Date, the Franchisor may give a written notice to the Franchisee stating whether it will renew the Franchise, and if so, on what terms, which may include payment of an amount equal to the Franchisor's then-current Franchise Purchase Fee.

14. If the Franchisor does give such a notice to the Franchisee, the Franchisee must:

(a) within 1 month after receiving the notice advise the Franchisor in writing whether the Franchisee will accept the offer of renewal on the terms contained in the notice; and

(b) within 30 days after receiving a new franchise agreement (together with a Sublease, or at the Franchisor's sole discretion, a Business Lease, a release of any obligations of the

Franchisor and its Affiliates and its Associate under all previous franchise agreements, and any related agreements or other ancillary franchise documents) from the Franchisor, sign such franchise agreement and related agreements and other ancillary franchise documents and return them to the Franchisor along with any payments that the Franchisee may be required to make under such agreements.

15. If the Franchisor does not give a written notice, pursuant to Section 13, to the Franchisee, either of the following may occur:

(a) the Franchise will not be renewed and the Franchisee will be required on the Expiry Date to cease operating the Bakery Business and vacate the Bakery Premises and otherwise comply with the termination provisions of this Agreement; or

(b) the Franchisor may at its sole discretion enter into discussions and/or negotiations with the Franchisee concerning the granting of another COBS Bread franchise.

Overholding

16. In the event of the Franchisee continuing to conduct the Bakery Business after the expiration of the Term, with the express or implied permission of the Franchisor, then the Franchisee shall be deemed to be conducting the Bakery Business from the Bakery Premises on an overholding basis ("the Overholding") from the expiration of the Term on the same terms and conditions as set out in this Agreement so far as they can apply to the Overholding but so that such Overholding may be terminated by either party giving to the other not less than 30 days' prior notice in writing.

17. The Franchisee agrees, that during the period of Overholding, it shall pay to the Franchisor the Overholding Fee, such fee to be paid in such manner and at such intervals as specified by the Franchisor from time to time. For the avoidance of doubt the Franchisee shall continue to pay the Weekly Royalty Payment, Weekly Advertising and Marketing Contribution and other payments pursuant to Part 4 of this Agreement.

PART 3
ANCILLARY AGREEMENTS

Training Agreement

18. Upon the execution of this Agreement, the Franchisee will enter or have entered into an agreement with the Franchisor setting out the terms of the mandatory training program for all COBS Bread Bakeries (the "Training Agreement").

19. The grant of the Franchise is subject to the successful completion of the training program by the Franchisee at the discretion of the Franchisor and in accordance with the Training Agreement.

20. The Franchisee acknowledges that the condition under Section 19 is for the sole benefit of the Franchisor and may be waived by it in whole or in part.

Sublease/ Business Lease

21. As set out in Item 5, the Franchisee agrees to enter into either a Sublease with the Franchisor for the Bakery Premises or a Business Lease with the Franchisor for the sublease of the Bakery Premises and the lease of the Business Assets required by the Franchisee to conduct the Bakery Business at the Bakery Premises, in either case in the Franchisor's standard form.

PART 4
THE FRANCHISEE'S PRIMARY OBLIGATIONS

Franchisee's primary payment obligations

22. The Franchisee must pay the Franchisor or as directed by the Franchisor:

    (a) the Franchise Purchase Fee, when the Franchisee signs this Agreement;

    (b) the sum specified by the Franchisor or the Franchisor's lawyers on account of the anticipated or actual Costs the Franchisor incurs in connection with this Agreement and any related or ancillary agreements necessary or incidental to the Franchise or the Bakery Premises, including the Bakery Premises Lease and the Sublease or Business Lease entered into pursuant to Section 21, when the Franchisee signs this Agreement, which sum will be held by the Franchisor's lawyers in their trust account until such time as the Franchisor's lawyers render an invoice or invoices for the services they provide. Alternatively, if any such services are performed internally by the Franchisor, the Franchisee will pay the Franchisor for its services in accordance with the Franchisor's then current standard rates for such services;

(c) the Opening Promotion Amount, prior to commencing operating the Bakery Business;

(d) the Weekly Royalty Payment each Thursday for the 7-day period ending on the immediately preceding Wednesday;

(e) the Weekly Advertising and Marketing Contribution each Thursday for the 7-day period ending on the immediately preceding Wednesday;

(f) the monthly rent payable under the Sublease or Business Lease, on or before the first day of each month;

(g) reimbursement of the Franchisor for the Franchisee's proportionate share of all fee levies made upon the Franchisor on behalf of all of the members of the COBS Bread System in any state, county or municipality in connection with the recycling of consumer residential waste materials under a statutorily imposed program governing waste recycling;

(h) any other money which the Franchisee owes the Franchisor arising from the conduct of the Bakery Business or any obligation, imposed on the Franchisee by this Agreement, the Sublease, the Business Lease or any other agreement between the parties, when due;

(i) all Sales Tax and other taxes payable by the Franchisee in accordance with Section 26, when due; and

(j) if the Franchisee fails to report Net Sales as required, the Franchisor may estimate the amount having reference to prior periods reported upon, and notify the Franchisee in writing as to the estimated amounts of royalties and advertising and marketing contributions owing which the Franchisee agrees to pay immediately. Upon the Franchisee reporting the actual amount of Net Sales, any adjustment to the estimated amounts of royalties and advertising and marketing contributions will be made.

23. The Franchisee must sign a Direct Debit Authorization, in the form prescribed by the Franchisor from time to time, authorising the Franchisor to debit the Franchisee's nominated bank account for

amounts due to the Franchisor for royalties, advertising and marketing contributions, rent, taxes, insurance premiums, training fees and all other monies payable to the Franchisor under this Agreement and any other ancillary agreements. The Franchisor will not seek to rely on such Direct Debit Authorization in relation to amounts the payment of which the Franchisee has bona fide disputed by notice in writing to Franchisor in advance of any such debit.

24. The Franchisee must pay, when due and on time, all Costs associated with or arising from the conduct of the Bakery Business, including but not limited to, all invoices and accounts received by the Franchisee from its Creditors in connection with the Bakery Business.

Interest and Service Fee

25. If the Franchisee is late in paying the Franchisor any money, the Franchisor may charge and the Franchisee must pay to the Franchisor:

(a) daily interest on the amount outstanding calculated at the Default Interest Rate from the due date for payment until the day it is paid; and

(b) an administrative service fee of $50.00 (plus taxes) per month for each calendar month, or portion thereof, in which the Franchisee is in breach of its payment obligations under this Agreement.

Taxes

26. The Franchisee shall pay to the Franchisor, as and when due, all Sales Tax and other goods and services, sales, and excise taxes, fees or duties of any kind from time to time imposed by any governmental authority upon or required to be collected by, the Franchisor on account of any goods or services furnished to the Franchisee, by sale, lease or otherwise, in connection with the grant of the Franchise and the operation of this Agreement or any other agreement entered into between the Franchisor and the Franchisee.

Insurance

27. The Franchisee must take out, pay for and maintain the following insurance throughout the term of the Franchise and any renewal thereof and in such amounts as the Franchisor may specify from time to time:

(a) general insurance for the full new insurable value of the Business Assets against the following risks:

(1) damage or destruction caused by accident, fire, flood, lightning, storm, tempest, explosion, riots and civil commotion, strikes, malicious damage, earthquake, impact by vehicles, impact by aircraft and internal flood water;

(2) any other insurable risk commonly insured against with regard to goods of a similar nature to the Business Assets and the Bakery Equipment; and

(3) such other insurable risks as the Franchisor may reasonably specify;

(b) public liability insurance in the Franchisee's name and the Franchisor's and its Affiliates' and its Associates' names, with coverage and extensions for death, illness, personal injury, bodily injury and damaged or destroyed property where such liability arises as a result of the law relating to occupier's liability in respect to the Bakery Premises and such public liability insurance relating to the Business Assets and the Bakery Equipment;

(c) workers' compensation and employer's liability insurance;

(d) plate glass insurance (including tempering and shuttering) in respect of the Bakery Premises including coverage or extensions for hail, storm, wind and flood;

(e) industrial special risks insurance covering fire and extraneous peril with coverage or extensions for liability as a tenant, burglary and theft;

(f) product liability insurance in the Franchisee's name and the Franchisor's and its Affiliates' and its Associates' names;

(g) comprehensive business class rated motor vehicle insurance with underinsured motorist protection or non-owned automobile liability coverage, as applicable, for any vehicles used in connection with the Bakery Business; and

(h) any other or additional insurance which the Franchisor may advise from time to time.

The insurance can be taken out in one of two ways:

COBS Bread group insurance scheme

The Franchisee may elect to participate in the COBS Bread group insurance scheme, if available, for those types of insurance which are offered by the group insurance scheme, in which case the Franchisor will organise and effect insurance in respect of the risks set out in Section 27, with the exception of the insurance in respect of the risks set out in Sections 27(c) and 27(g) which the Franchisee must take out and maintain in accordance with the provisions of Section 27 (Other Insurers) below and the Franchisee will reimburse the Franchisor for all premiums that are payable in respect of such insurance, and for all types of insurance which are not offered by the group insurance scheme, the Franchisee will use other insurers as provided herein; or

Other Insurers

The Franchisee may organize and effect insurance including insurance comparable to the COBS Bread group insurance with an insurer, which the Franchisor reasonably approves, in which case the Franchisee must:

(1) ensure that the insurance policy or policies contain an endorsement that they will not be modified or cancelled without the insurer giving the Franchisor at least 14 days' notice of its intention to do so; and

(2) ensure that such policy or policies fully protecting the Franchisor, as an additional insured, and the Franchisee against loss or damage occurring in connection with the operation of the Franchised Business;

(3) ensure that the Franchisee's insurance coverage is primary and non-contributory; and

(4) provide to the Franchisor copies of the insurance policies effected by the Franchisee, receipts for payment of premiums and evidence of currency within 7 days of the insurance policies being arranged or renewed (as the case may be).

With either option in Section 27, the Franchisee must comply with the terms of the insurance policies and the Franchisee must not do anything that may render such insurance policies ineffective or liable to cancellation.

Compliance with the COBS Bread System

28. It is a fundamental and essential term of this Agreement that the Franchisee and the Bakery Principal operate the Bakery Business in accordance with the entire COBS Bread System, as improved or modified by the Franchisor from time to time. Without limiting the generality of the foregoing, the Franchisee and the Bakery Principal must:

(a) adopt and use exclusively the recipes, formulae, specifications, methods and policies contained in the Manuals as amended from time to time;

(b) operate the Bakery Business in a clean, wholesome manner in compliance with the Franchisor's prescribed standards of quality, service and cleanliness;

(c) comply with all business policies, practices and standards imposed by the Franchisor, including any policies in relation to the use of the internet and Digital Media, but not limited to those relating to human rights, employment standards, occupational health and safety, and any collective agreements applicable to COBS Bread Bakeries;

(d) comply with and ensure that any Affiliate or Associate of the Franchisee that employs any of the employees of the Bakery Business, with the prior written approval of the Franchisor, complies with:

(1) all business policies, practices and standards imposed by the Franchisor relating to industrial relations applicable to COBS Bread Bakeries; and

(2) all workplace laws applicable to COBS Bread Bakeries, including:

(i) paying all wage, salary and leave entitlements in accordance with workplace laws; and

(ii) paying all workers' compensation insurance premiums, taxes and statutory charges; and

(iii) reimbursing to the Franchisor an amount equal to any Costs, payments, fines, penalties and other charges incurred by or imposed on the Franchisor or any Affiliates or Associates of the Franchisor by any Court or relevant authority in connection with or arising out of any non-compliance with workplace laws by the Franchisee or any Affiliate or Associate of the Franchisee that employs any of the employees of the Bakery Business;

(e) follow the Franchisor's reasonable guidelines and directions in connection with compliance with Section 28(c);

(f) comply with all occupational health and safety laws and food safety laws and policies, practices, standards, guidelines and directions issued by the Franchisor from time to time in relation to occupational health and safety and food safety;

(g) only sell in the Bakery Business products within the COBS Bread Menu and substantially in accordance with Franchisor's merchandising techniques and required pricing systems, including that the Franchisor may designate a binding price for some or all of the products within the COBS Bread Menu;

(h) maintain the Bakery Premises in a clean, wholesome condition and repair, and ensure the Bakery Premises are well illuminated in accordance with the Franchisor's designated standards;

(i) use the Bakery Equipment in accordance with specifications designated by the manufacturer, or if no such specifications exist, in accordance with specifications designated by the Franchisor and pay all costs associated with the Bakery Equipment, including licence fees;

(j) so as to ensure that the technology used in the operation of the Bakery Business is compatible with the Franchisor's computer system, only use in the operation of the Bakery Business the Technology and pay all Costs associated with the purchase, maintenance and use of the Technology, including all licence fees specified from time to time;

(k) execute, by the Starting Date, the Technology Agreement (if applicable) for the supply of the Technology to the Franchisee;

(l) use raw materials, ingredients, packaging, uniforms and other products and services, including communication and information technology services that meet the Franchisor's stringent quality and reliability requirements, sourced from suppliers nominated by the Franchisor from time to time who meet the Franchisor's stringent supply and service requirements;

(m) keep the Bakery Premises equipped in accordance with the equipment layout and plans that are standard in the COBS Bread System;

(n) not, without the Franchisor's prior written consent, make any alterations, conversions or additions to the design, colour scheme, layout or appearance of the Bakery Premises or the equipment or software installed or used at the Bakery Premises;

(o) make repairs or replacements to the Bakery Premises and the equipment installed at the Bakery Premises required because of damage or wear and tear;

(p) keep the Bakery Business open for trade on all days that the law permits the Franchisee to trade and during the hours specified by the Franchisor (subject to any restrictions imposed by the Bakery Premises Lease or any applicable laws);

(q) ensure that the Bakery Principal manages and devotes his or her full time and attention to the Bakery Business;

(r) keep free, and ensure that the Bakery Principal keeps free, of conflicting enterprises or any other activities which would be detrimental to or interfere with the Bakery Business;

(s) ensure that the Bakery Principal conducts the Bakery Business to the highest of his or her skills and ability;

(t) ensure that the Bakery Principal is available at all reasonable times to communicate, meet and consult with the Franchisor's employees;

(u) cause the Franchisee (where an individual), the Bakery Principal and all of the Franchisee's employees, while working at the Bakery Premises to:

(1) wear uniforms as prescribed by the Franchisor;

(2) present a neat and clean appearance;

(3) render competent and courteous service to the Franchisee's customers; and

(4) use only containers, bags and packaging designated by the Franchisor in the dispensing and sale of products.

29. Where this Agreement is for a second or multiple franchise granted in favour of the Franchisee, the Franchisee and the Bakery Principal acknowledge and agree that:

(a) Section 1 in the definitions of Relevant Event and Separation and in Section 28(q) and 131(a) are amended such that instead of the Bakery Principal being obliged to devote his or her whole time and attention to the Bakery Business, the Bakery Principal must devote sufficient time and attention to the Bakery Business to ensure that the Franchisee and the Bakery Principal are complying with the provisions of this Section 29 and the terms of this Agreement;

(b) the Bakery Principal may, with the Franchisor's prior consent, employ and appoint a manager approved by the Franchisor who must successfully complete any training that the Franchisor considers necessary to enable the manager to conduct the daily operation of the Bakery Business;

(c) the Franchisee and the Bakery Principal must ensure that any manager appointed under Section 29(b) complies with all the obligations of the Bakery Principal under this Agreement;

(d) the Franchisee and the Bakery Principal shall be liable for all acts or omissions of any manager appointed and shall indemnify the Franchisor and keep the Franchisor indemnified in respect of any loss, damage or liability imposed on the Franchisor arising directly or indirectly from any act, omission or breach of this Agreement by the manager;

(e) the Bakery Principal must:

(1) oversee and retain control of the operation of the Bakery Business;

(2) ensure that he or she is available to provide such guidance, assistance, support, supervision or training required by any manager or other employee of the Bakery Business or considered necessary by the Franchisor for the efficient and proper conduct of the Bakery Business in accordance with the terms of this Agreement.

30. It is expressly agreed and acknowledged by the parties that a material strength of the COBS Bread System is and will continue to be the ability of the Franchisee and all other franchisees to collectively offer consistently high quality products to Customers at competitive prices and as such, the provisions of Section 29 are no more than are reasonably necessary to protect the ability of the Franchisee and all other franchisees of the COBS Bread System to work collectively to achieve this end.

Additional Positive Obligations of the Franchisee and Bakery Principal

31. The Franchisee and the Bakery Principal agree to:

(a) follow all reasonable practices and procedures established by the Franchisor from time to time in relation to the operation of the Bakery Business including in relation to product quality, baking procedures (including all day baking), recipes, raw materials, ingredients, shop layout, appearance, equipment and fittings, product range, employees, uniforms, packaging, local advertising and marketing and cleanliness;

(b) comply with any lawful requirements imposed by the owner of the Bakery Premises under the Bakery Premises Lease;

(c) comply with any laws which govern the operation of the Bakery Business;

(d) comply with any direction or order issued by any regulatory body having jurisdiction over the Bakery Business or the Bakery Premises;

(e) co-operate with the Franchisor, the Landlord, suppliers and all other franchisees at all times and be courteous to the Franchisor, the Landlord, suppliers and other franchisees in all dealings with the Franchisor, the Landlord, suppliers and other franchisees;

(f) participate and co-operate in all advertising and marketing initiatives;

(g) provide a Business Plan within 14 days of the signing of this Agreement, and/or within 14 days of any request by the Franchisor;

(h) maintain an adequate stock of raw materials, ingredients and finished product;

(i) actively promote the opening of the Bakery Business and its ongoing operation within the Territory in accordance with local, regional and national advertising, marketing and promotional guidelines, programs and policies issued by the Franchisor from time to time;

(j) use the Franchisee's best endeavours to operate and maintain the Bakery Business at a level of competency and professionalism appropriate for a bakery to be used for training the Franchisor's trainees. (The Franchisor will specify the level required, but at a minimum the Franchisee shall operate the Bakery Business to a standard that will ensure Five Star status, under the Franchisor's Five Star Program described in Sections 34 to 37 each and every day during the Term);

(k) comply with the Franchisor's Five Star Program and Sections 34 to 37;

(l) pay or reimburse the Franchisor for all reasonable Costs the Franchisor incurs:

(1) in connection with the negotiation, preparation and signing of this Agreement and any other agreement necessary or incidental to the Franchise or the conduct of the

Bakery Business, including any Sublease or Business Lease entered into pursuant to Section 21 and the Bakery Premises Lease and any renewal of or variation to such lease; and

(2) arising from any breach of this Agreement or any other agreement between the Franchisor and the Franchisee relating to the Franchise or the conduct of the Bakery Business, by the Bakery Principal or the Franchisee or the Guarantors; and

(3) arising from the termination of this Agreement for any reason other than any lawful termination instigated by the Franchisee;

(m) pay or reimburse the Franchisor for all out-of-pocket expenses in connection with:

(1) this Agreement;

(2) any other agreement necessary or incidental to the Franchise or the conduct of the Bakery Business including any Sublease or Business Lease entered into pursuant to Section 21; and

(3) the preparation, negotiation and signing of the Bakery Premises Lease and any renewal of or variation to the Bakery Premises Lease;

(n) ensure that the Bakery Principal and/or any other person employed by the Bakery Business attends and participates in such training, as the Franchisor considers necessary to enable the Franchisee to efficiently, lawfully and properly conduct the Bakery Business. The Franchisee must bear the Costs of such training, including wages, travel, living and accommodation and meals costs of those persons required to attend the training. If required by the Franchisor, the Franchisee must pay to the Franchisor a training allowance in the sum of $4,000.00 or such other sum the Franchisor may nominate to be held by the Franchisor on account of the training costs pursuant to this Section;

(o) wherever possible, obtain warranties from the Franchisee's suppliers of raw materials and ingredients to enable protection against any prosecution or claims arising from some defect or contamination of any raw materials or ingredient;

(p) purchase and install at the Franchisee's cost the Technology, including but not limited to the Licensed Software specified by the Franchisor and:

(1) record all sales on the Licensed Software on a daily basis with correct codes as specified by the Franchisor and in accordance with the Franchisor's directions from time to time;

(2) provide the weekly and other reports specified in this Agreement in the required form to the Franchisor and otherwise provide or allow access to the Franchisor to all data stored in the Licensed Software, upon request; and

(3) comply with personal information privacy protection law in anticipation of doing so;

(q) keep and maintain proper books of account and allow the Franchisor to inspect such books of account upon request;

(r) allow the Franchisor or accountants or auditors or any other representative appointed by the Franchisor to audit the Franchisee's books of account and other records, including payroll records and other records relating to the employees of the Bakery Business and the Franchisee shall, if required by the Franchisor and subject to section 102 in respect of a financial audit conducted pursuant to Section 102, pay the Franchisor's Costs associated with any audit conducted pursuant to this Section, including any travel, living and accommodation Costs incurred by the Franchisor or its appointed accountant, auditor or representative arising from or associated with any audit conducted pursuant to this Section;

(s) obtain the Franchisor's prior written approval, which the Franchisor can give or withhold in its absolute discretion, if the Franchisee proposes to have an Affiliate or Associate of the Franchisee employ any of the employees of the Bakery Business and to enable the Franchisor to decide whether to give its approval, provide to the Franchisor copies of all documents reasonably required by the Franchisor;

(t) if the Franchisor provides its approval to an Affiliate or Associate of the Franchisee employing any of the employees of the Bakery Business the Franchisee shall provide to the Franchisor within a reasonable time of receiving a written request from the Franchisor:

(1) details of each employee employed to work in the Bakery Business, including details of the employee's position, commencement date and age; and/or

(2) copies of all documents and records reasonably required by the Franchisor, including payroll records and other records relating to the employees employed to work in the Bakery Business;

(u) allow the Franchisor or its representatives to attend the Bakery Premises at any time whilst the Bakery Business is operating with or without prior notice to the Franchisee to:

(1) inspect the Bakery Premises;

(2) examine the quality and level of raw materials, ingredients and products offered for sale;

(3) examine the quality and level of employees;

(4) inspect and test all the Bakery Equipment used in the Bakery Premises; and

(5) observe the operation of the Bakery Business;

(6) make recommendations for the improvement of the operation of the Bakery Business;

(v) join in with other COBS Bread franchisees and the Franchisor in any promotion or special display recommended from time to time;

(w) obtain the Franchisor's prior written consent to any advertising, marketing or promotional activities to be conducted by the Franchisee including any advertising, marketing or promotion in any Digital Media, which consent the Franchisor will not unreasonably withhold, provided such advertising, marketing and/or promotional activities are local in nature and are consistent with the Franchisor's local, regional and national advertising, marketing and promotional guidelines, programs and policies;

(x) comply with any request by the Franchisor for the Franchisee to conduct new product, service and equipment research and trial testing at the Bakery Premises and comprehensively evaluate such new product, service and equipment research and trial testing and report the results of the Franchisee's evaluation to the Franchisor upon request;

(y) immediately advise the Franchisor if:

(1) the Franchisee receives any notices or communications from any regulatory authority (including local health authorities) relating to the Bakery Premises or the state of hygiene of the Bakery Premises or any other matter under the relevant food, health and safety laws;

(2) the Franchisee receives any complaint from any customer concerning the presence of foreign objects in or adulteration of any products the Franchisee sells; or

(3) any accident or incident occurs within the Bakery Premises that may have the potential to cause any form of adulteration to any of the products the Franchisee proposes to sell;

(4) the Franchisee, the Bakery Principal or the Guarantors become involved in any legal proceedings relating to the Bakery Business and in relation to such proceedings:

(i) keep the Franchisor advised of the progress of the proceedings, including advising the Franchisor of hearing dates; and

(ii) provide to the Franchisor copies of all documents relating to the proceedings requested by the Franchisor;

(z) comply with all directions the Franchisor imposes following receipt of any advice:

(1) under Section 31(y) hereof; and

(2) from any third party relating to the state of hygiene of the Bakery Premises or any other matter under the relevant food, health and safety laws;

(aa) at the Franchisee's Cost maintain in good and complete working order all plant, facilities, tools and equipment, used in connection with the Bakery Business, including the Bakery Equipment, and in so doing, the Franchisee must ensure that each item of the Bakery Equipment that is required to be serviced, as specified in the Franchisor's Five Star Program or in the Manuals, is serviced:

(1) by a maintenance contractor approved by the Franchisor, which approval the Franchisor may give or withhold in its absolute discretion; and

(2) in accordance with the timeframe and other requirements specified in the Franchisor's Five Star Program or in the Manuals from time to time,

and the Franchisee further acknowledges and agrees to bear the Costs associated with the maintenance, repair and servicing of the Bakery Equipment;

(bb) if requested by the Franchisor, use its best efforts to qualify for and to enter into a training agreement with the Franchisor to:

(1) ensure the Franchisee (if an individual) or the Bakery Principal (if the Franchisee is a corporation) undertake such training course or courses designed to enable the Franchisee to assist with the training of COBS Bread trainees; and

(2) allow COBS Bread trainees to work within the Bakery Business and train them in the manner designated by the Franchisor;

(cc) if there is a breach of the Franchisee's obligation under Section 28(p), to pay to the Franchisor by way of liquidated damages for each trading day or part of a trading day during which such breach occurs, either:

(1) the amount of the Weekly Royalty Payments and Weekly Advertising and Marketing Contributions payable in respect of the same trading day or trading days for the previous year increased by 10 per cent; or

(2) if the Bakery Business was not operating on the same trading day or trading days for the previous year, the amount of Weekly Royalty Payments and the Weekly Advertising and Marketing Contributions payable in respect of the trading day upon which the Franchisee achieved its highest level of Gross Sales; and

(dd) comply with and perform each and every covenant and obligation of the Franchisee under the Sublease or Business Lease, as applicable.

32. The Franchisee must conduct the Bakery Business as an independent contractor (not as a partner, representative, agent, employee or joint venturer of or with the Franchisor) and ensure that the Franchisee’s independent ownership of the Bakery Business and use of the Trademarks under licence from the Franchisor or its Affiliate or its Associate is clearly marked on the Bakery Premises, and any stationery or business cards used by the Franchisee in the manner set out in the Manuals from time to time.

Additional Negative Obligations of the Franchisee and Bakery Principal

33. The Franchisee and the Bakery Principal must not:

(a) sell any products from the Bakery Premises other than those products falling within the COBS Bread Menu;

(b) without the Franchisor's prior written consent sell any products from the Bakery Premises other than as a retailer, except for sales to local restaurants or food service establishments that agree not to offer such products, as is, for resale;

(c) make any misleading or deceptive statement or warranty about the Bakery Business or the products sold by the Bakery Business;

(d) mortgage or encumber any of the assets used by the Franchisee in connection with the Bakery Business without the Franchisor's prior written consent. The Franchisor will not unreasonably withhold its consent provided it is satisfied that such action will not interfere with the proper operation of the Franchisee's COBS Bread Bakery in accordance with this Agreement and will not affect the Franchisor's legitimate business interests;

(e) do anything that might damage the Franchisor's reputation or the reputation of the name COBS Bread or any of the Trademarks;

(f) discredit or disparage the Franchisor or any Affiliate or Associate of the Franchisor or any of their directors or officers or employees in relation to any matter arising out of the grant of the franchise to operate the Bakery Business and the operation of the Bakery Business, the COBS Bread System or this Agreement;

(g) publish on the internet or in any Digital Media or arrange for another person to publish on the internet or in any Digital Media disparaging material about the Franchisor or any Affiliate or Associate of the Franchisor or any of their directors or officers or employees in relation to any matter arising out of the grant of the franchise to operate the Bakery Business and the operation of the Bakery Business, the COBS Bread System or this Agreement;

(h) behave in a threatening manner and threaten harm to the Franchisor, the Landlord, suppliers or others, including other franchisees;

(i) appoint any person to manage the Bakery Business other than the Bakery Principal, without the Franchisor's written consent. The Franchisee acknowledges and agrees that if such consent is given it may be on such terms as the Franchisor deems appropriate and the consent may be withdrawn by the Franchisor at any time;

(j) modify the design, colour scheme, layout or appearance of the Bakery Premises without the Franchisor's written consent;

(k) do anything that might cause the Bakery Premises Lease to be terminated or prejudice the right to exercise any option to renew the Bakery Premises Lease;

(l) attempt to secure a direct lease of the Bakery Premises in the event of the expiry or termination of the Bakery Premises Lease;

(m) advertise, market or promote the Bakery Business in any medium that is published or distributed outside the Territory without the Franchisor's prior written approval, which approval shall be subject to such conditions that the Franchisor may in its absolute discretion impose;

(n) operate the Bakery Business in a way that endangers the life or risks injury to the Franchisee's employees or Customers; and

(o) either before or after breach or default, remove all or any substantial part of the Business Assets or any other assets used in operating the Bakery Business from the Bakery Premises without the written consent of the Franchisor.

Five Star Audits

34. To maintain and enhance the standards to be observed by franchisees of the Network and to protect the Franchisor's business interests, the Franchisor has established the Five Star Program.

35. The Five Star Program sets out the minimum quality standards to be met by franchisees of the Network and the Franchisor shall be entitled from time to time to reasonably vary the requirements of the Five Star Program.

36. During the Term, the Franchisee agrees:

(a) to comply with the Five Star Program;

(b) to permit the Franchisor to conduct and cooperate with the Franchisor in conducting, audits of the Franchisee, the Bakery Premises and the Bakery Business from time to time, including store visits, to allow the Franchisor to assess compliance by the Franchisee with the Five Star Program;

(c) following any audit conducted under Section 36(b), to comply with any written direction or notice issued by the Franchisor requiring the Franchisee to take action to remedy any non-compliance with the Five Star Program, such action to be taken within the timeframe reasonably specified by the Franchisor in the direction or notice issued under this Section;

(d) (if required by the Franchisor) to pay the Franchisor's Costs associated with any audit conducted under Section 36(b).

37. The Franchisee acknowledges and agrees that compliance with any direction or notice issued under Section 36(c) is a fundamental and essential term of this Agreement.

Approved Equipment, Products and Services

38. The Franchisor has through its expertise developed the COBS Bread System, which includes the use of the Approved Equipment, Products and Services that meet the Franchisor’s stringent quality and reliability requirements.

39. The Franchisor in its absolute discretion may from time to time change the Approved Equipment, Products and Services and the Franchisee must implement any change that may be required to the Bakery Business or the conduct of the Bakery Business, at the Franchisee's Cost, within 7 days of the Franchisee receiving written notice of the change from the Franchisor.

40. The Franchisee must:

(a) only use in the Bakery Business the Approved Equipment, Products and Services;

(b) purchase the Approved Equipment, Products and Services from the Franchisor or the Franchisor's Affiliate or Associate if such products or services are available from the Franchisor or Affiliate or Associate of the Franchisor.

41. If the Approved Equipment, Products and Services are not available from the Franchisor or an Affiliate or Associate of the Franchisor, the Franchisee must purchase the Approved Equipment, Products and Services from the Approved Suppliers and may not purchase the Approved Equipment, Products and Services from other suppliers otherwise than in accordance with Section 44.

42. If the Franchisor or an Affiliate or Associate of the Franchisor or any of the Approved Suppliers do not supply or are unable to supply any particular item of Approved Equipment, Products and Services, the Franchisor will allow the Franchisee to source the particular item of Approved Equipment, Products and Services from other suppliers in accordance with Section 44.

43. The Franchisee will not at any time discontinue or fail to use any Approved Equipment, Products and Services unless required to do so, in writing, by the Franchisor.

Other Products and Other Suppliers

44. If the Franchisee wishes to:

(a) use products or services that are not Approved Equipment, Products and Services; or

(b) source the Approved Equipment, Products and Services from other suppliers who are not Approved Suppliers,

the Franchisee must obtain the Franchisor's prior written approval and for this purpose the Franchisee must provide the Franchisor with such written information as the Franchisor reasonably requires to enable the Franchisor to determine:

(c) whether the products or services fit the Franchisor's stringent quality and reliability requirements and are suitable to be approved as Approved Equipment, Products and Services; and/or

(d) whether the supplier is able to meet the stringent supply and service requirements such as to be approved as an Approved Supplier.

45. The Franchisee acknowledges and agrees that the Franchisor may, in its absolute discretion give or refuse approval to the Franchisee:

(a) using equipment, products or services that are not Approved Equipment, Products and Services; or

(b) sourcing Approved Equipment, Products and Services from other suppliers who are not Approved Suppliers; or

(c) impose such conditions as it sees fit to the giving of an approval under Section 44.

46. The Franchisee shall bear the Franchisor's Costs associated with such approval.

Rebates

47. The Franchisee acknowledges and agrees that the Franchisor shall be entitled to receive all rebates, financial benefits, royalties or commissions in respect of procuring the supply of the

Approved Equipment, Products and Services or other products or services to the Franchisee and may use these funds for any purpose.

Non-Compete

48. The Franchisor has developed or acquired the COBS Bread System and, through this, unique brand recognition based upon the wide range of specialist bread baked in shops designed to give an ambience of freshness and quality. Substantial financial and research and development investments have been made by the Franchisor and its Affiliates or Associates and franchisees in its recipes, product range, training programs, advertising and marketing campaigns and the ongoing development of the COBS Bread System and the goodwill associated with it to ensure that such unique brand recognition is maintained. In order to ensure the maintenance of the goodwill of the COBS Bread System, the Franchisee, the Bakery Principal and the Guarantors must not:

(a) during the Term, directly or indirectly, carry on, engage in or be in any way involved in any Competitive Business or any other business or activities which would be detrimental to or interfere with the Bakery Business;

(b) during the Term and for a period of 24 months after the expiry or termination of this Agreement, other than in accordance with then current written guidelines issued by the Franchisor, employ or seek to employ any person who is at the time employed by the Franchisor, any supplier, any other COBS Bread System bakery principal or franchisee or any person who is at the time operating a COBS Bread Bakery or otherwise induce, or attempt to induce, directly or indirectly, such person or persons to leave such employment;

(c) for a period of 24 months after the Expiry Date or earlier termination of this Agreement for any reason, carry on or in any way be either directly or indirectly involved in any Competitive Business:

(1) at the Bakery Premises; and

(2) within a radius of 3 kilometers of the Bakery Premises; and

(3) within a radius of 3 kilometers of any COBS Bread Bakery in the same State in which the Bakery Premises are located at which a COBS Bread Bakery is operated at the date of execution of this Agreement (whether operated by the Franchisor or any Affiliate or Associate thereof, or by any franchisee of the Franchisor or such Affiliate or Associate; and

(4) within a radius of 3 kilometers of any other COBS Bread Bakery in the State in which the Bakery Premises are located at which a COBS Bread Bakery is being developed (site having been secured) at the date of expiry or termination of this Agreement (whether to be operated by the Franchisor or any Affiliate or Associate thereof, or by any franchisee of the Franchisor or such Affiliate or Associate); and

(5) within a radius of 3 kilometers of any other COBS Bread Bakery in the United States in which the Bakery Premises are located at which a COBS Bread Bakery is operated during the term and currency of this Agreement or is being developed (site having been secured) at the date of expiry or termination of this Agreement (whether such COBS Bread Bakery is operated by the Franchisor or any Affiliate or Associate thereof, or by any franchisee of the Franchisor or such Affiliate or Associate); and/or

(d) during the Term and for a period of 24 months after the expiry or termination of this Agreement, other than in accordance with then current written guidelines issued by the Franchisor, solicit or seek to solicit any person who is at the time a COBS Bread System franchisee or bakery principal or supplier or otherwise induce, or attempt to induce, directly or indirectly, such person or persons to leave such relationship;

(e) the parties agree that Subsections 48(a), 48(b), 48(c) and 48(d) of this Section, as well as any portions thereof, or any other portions of this Section, are independent of each other and severable herefrom.

49. The Franchisee, the Bakery Principal and the Guarantors acknowledge that each of the above non-compete covenants in Section 48 is reasonably required to protect the Franchisor's legitimate business interests and those of its franchisees. The Franchisee, the Bakery Principal and the Guarantors also acknowledge that by the insertion of a similar Section in other franchise agreements they will gain the benefit of the prohibition on other current and former franchisees. The Franchisor may, in its sole discretion, reduce the duration, geographic area or scope of any provision in Section 48 effective upon written notice to the Franchisee.

Financial reporting obligations

50. The Franchisee must forward to the Franchisor:

(a) by the close of business on each trading day electronically an accurate and complete daily sales report in the form required by the Franchisor from time to time; and

(b) electronically an accurate and complete weekly takings analysis in the form and within the timeframe specified by the Franchisor from time to time.

51. The Franchisee must forward electronically to the Franchisor an accurate and complete monthly financial statement for the previous month in the form and within the timeframe specified by the Franchisor from time to time.

52. By no later than 3 months from the end of the Franchisee's financial year or at any other time specified by the Franchisor from time to time, the Franchisee must, forward to the Franchisor the Franchisee's accurate and complete annual financial statements (profit and loss statement and balance sheet for the preceding financial year) statements to be prepared by the Franchisee's accountant in accordance with generally accepted accounting principles in the United States. It is the Franchisee's responsibility to ensure that its accountant is able to complete these financial statements within 3 months of the end of each financial year and where the Franchisee conducts more than one COBS Bread Bakery the Franchisee agrees that it will ensure that its accountant prepares financial statements for each COBS Bread Bakery. For the avoidance of doubt, where the Franchisee conducts multiple COBS Bread Bakeries, the Franchisee must provide accurate and complete annual financial statements (profit and loss statement and balance sheet) for the preceding financial year for each Bakery Business operated by the Franchisee, such statements to be prepared by the Franchisee's accountant in accordance with accounting principles in the United States.

53. The Bakery Principal agrees to ensure that the Franchisee complies with its reporting obligations pursuant to Sections 50 to 52.

54. If the Franchisee is late in meeting any of its reporting requirements under Sections 50 to 51, the Franchisor may charge and the Franchisee shall pay an administrative service fee of $50.00 (plus taxes) per week for each week, or portion thereof, during which the Franchisee is in default.

55. All financial information provided to the Franchisor by the Franchisee through the point of sale system or in accordance with reporting formats and reports prescribed by the Franchisor will become part of the Franchisor's business records and the Franchisor shall be entitled to pass on this information to other interested parties such as Affiliates, Associates, professional advisors, prospective purchasers, lending institutions, financiers, Creditors, government departments and authorities and other existing and prospective franchisees at its discretion and the Franchisee hereby consents to such use and disclosure of such information by the Franchisor.

56. If the Franchisee fails to submit any of the reports specified in Sections 50, 51 or 52 on time or the reports are incomplete or inaccurate the Franchisee shall pay an administration fee in the amount specified from time to time by the Franchisor in the Manuals.

Initial Fitout of Premises

57. Sections 57 to **Error! Reference source not found.** apply if a Bakery Set-Up Estimate is specified in Item 12 and the Franchisee must construct, fitout and equip the Bakery Premises.

58. The Franchisee hereby authorises and appoints the Franchisor as its agent to do the following on its behalf:

(a) prepare or arrange the preparation of plans and drawings for the construction and fitout of the Bakery Premises;

(b) apply for and obtain all necessary permits and approvals to construct and fitout the Bakery Premises;

(c) engage contractors to construct and fitout the Bakery Premises in accordance with the plans and drawings prepared by the Franchisor and the Franchisor's specifications;

(d) purchase and install at the Bakery Premises the Bakery Equipment;

(e) (if this Agreement arises as a result of a relocation of any existing bakery business operated by the Franchisee ("existing bakery")), relocate any bakery equipment, including the Bakery Equipment, used in the existing bakery that does not need to be replaced and that can, in the Franchisor's reasonable opinion, be relocated from the existing bakery to the Bakery Premises;

(f) project manage (either by itself or by appointing an external consultant) the construction and fitout of the Bakery Premises and the installation of the Bakery Equipment;

(g) do such other things as are necessary for the Franchisee to commence business from the Bakery Premises; and

(h) incur all necessary Establishment Costs.

59. The Franchisee must pay the Bakery Set-Up Estimate to the Franchisor by the Handover Date and before the Franchisee can commence operating the Bakery Business from the Bakery Premises.

60. The Franchisee and the Guarantors:

(a) warrant to the Franchisor that they have sufficient funds (namely their own money or an approved loan facility from a lending institution) to pay the Establishment Costs and to fully satisfy all of their financial obligations to the Franchisor under this Agreement; and

(b) shall upon the signing of this Agreement produce to the Franchisor evidence of their ability to pay the Establishment Costs and to fully satisfy all of their financial obligations to the Franchisor under this Agreement.

61. The Franchisor must use its best endeavours to advise the Franchisee of:

(a) the program for works to be conducted at the Bakery Premises; and

(b) the dates upon which the Franchisee may inspect such works; and

(c) any likely increase in the Bakery Set-Up Estimate as soon as practicable.

62. Despite anything to the contrary in this Agreement, the Franchisor shall not be obliged to do any of the things referred to in Section 58 until the Franchisee and the Guarantors have complied with Section 60(b).

63. The Franchisee acknowledges that:

(a) the Bakery Set-Up Estimate is an estimate of the Establishment Costs and the actual Establishment Costs may not be able to be determined at the time this Agreement is signed by the Franchisee or on the Handover Date;

(b) it shall not be entitled to make a claim against the Franchisor or terminate this Agreement because of defects in the construction and fitout of the Bakery Premises or changes to the plans and drawings for the construction and fitout of the Bakery Premises or any delay in the construction and fitout of the Bakery Premises;

(c) the Franchisor shall not be responsible for the acts or omissions of any person carrying out the construction and fitout of the Bakery Premises,

unless such defects, changes, delays, acts or omissions are substantially caused by the negligence or gross negligence of the Franchisor, in which case, the rights of the Franchisee will be limited to claiming the losses sustained by the Franchisee directly arising from such defects, delays, acts or omissions and shall not extend to consequential loss or damage.

64. The Franchisee and the Guarantors shall indemnify the Franchisor and keep the Franchisor indemnified in respect of all Establishment Costs incurred by the Franchisor pursuant to Section 58(h).

65. Once the actual Establishment Costs have been determined by the Franchisor, the Franchisor shall give the Franchisee a statement setting out:

(a) the actual Establishment Costs;

(b) either:

(1) the further amount payable by the Franchisee to the Franchisor; or

(2) the refund amount payable by the Franchisor to the Franchisee.

66. Any amounts payable by either party as set out in the statement referred to in Section 65 will be paid by that party to the other party within 7 days of the date of such statement.

67. If the Franchisee does not pay the Bakery Set-Up Estimate or the actual Establishment Costs as required by this Agreement, the Franchisee shall be deemed to have voluntarily abandoned the franchise relationship with the Franchisor and the Franchisor may at its option:

(a) immediately terminate this Agreement and any ancillary agreement in existence; or

(b) defer terminating this Agreement and ancillary agreement then in existence and charge the Franchisee interest on any unpaid monies in accordance with Section 25.

68. If the Franchisor exercises its rights under Section 67(a) ownership of all fixtures and fittings and fitout at the Bakery Premises and the Bakery Equipment shall immediately vest in the Franchisor.

69. The Franchisee and the Guarantors acknowledge that the Franchisor may have negotiated for the payment of a Landlord's Contribution. The Franchisor will use its best efforts to procure payment of the Landlord's Contribution, however, the Franchisee and the Guarantors acknowledge and agree that:

(a) the Franchisor shall not be obliged to pay or credit to the Franchisee the Landlord's Contribution, unless the Landlord's Contribution is received from the Landlord;

(b) the Franchisor shall not be liable to the Franchisee and/or the Guarantors should the Landlord's Contribution not be received for whatever reason (including any negligence, act or omission on the part of the Franchisor or any delays in the completion of the fitout of the Bakery Premises);

(c) the Franchisee and the Guarantors shall be obliged to pay the Establishment Costs, less the amount of the Landlord's Contribution in accordance with Section 66. The amount of the Landlord's Contribution shall be treated as a debt owed by the Franchisee to the Franchisor and shall be payable by the Franchisee and the Guarantor immediately upon demand by the Franchisor on the earlier of:

(1) the Landlord advising the Franchisor that a condition of the Bakery Premises Lease or any other agreement between the Landlord and the Franchisor that deals with the payment of the Landlord's Contribution has not been satisfied such that the Landlord is not obliged to pay the Landlord's Contribution to the Franchisor; and

(2) the date that is six months from the Starting Date.

70. If the Landlord's Contribution is received from the Landlord within 6 months from the Starting Date, the Franchisor shall pay or credit to the Franchisee the amount of the Landlord's Contribution within 14 days of the Franchisor receiving the Landlord's Contribution from the Landlord.

71. If the Franchisee fails to make the payments in Section 69(c) above by the due dates for payment the Franchisee agrees that the Franchisee, the Bakery Principal and the Guarantors will, within 14 days of receipt of the same from the Franchisor, enter into all instruments and documents required by the Franchisor, including but not limited to the Franchisor's standard form of Loan Agreement and General Security Deed ("the Loan Agreements") to document the amount owed by the Franchisee to the Franchisor as an advance ("the Loan Amount") and to secure the repayment of the Loan Amount.

72. The Loan Documents will include the following terms and conditions.

(a) the Loan Amount shall be payable by the Franchisee to the Franchisor by equal monthly instalments over a period of 2 years from the date the Landlord's Contribution became due and payable under Section 69; and

(b) the Franchisee shall pay interest on the Loan Amount at the rate of 12% per annum.

73. If the Landlord's Contribution is later received by the Franchisor from the Landlord, the Franchisor shall, within 14 days of receiving the Landlord's Contribution, credit the amount received against the Loan Amount which is outstanding at that time.

74. Despite Sections 69 to 73 of this Agreement, if the Landlord's Contribution is received by the Franchisor and paid to the Franchisee pursuant to Section 73 of this Agreement and the Landlord's Contribution is, at any time and for whatever reason, required to be repaid (whether in part or in full) to the Landlord in accordance with the terms of the Bakery Premises Lease, then the Franchisee agrees to pay to the Franchisor or the Landlord (as directed by the Franchisor) the sum specified by the Landlord, such sum to be paid in the manner and within the timeframe specified by the Landlord but subject always to the terms of the Bakery Premises Lease.

Refurbishment of Bakery Premises

75.

(a) The Franchisee must refurbish the Bakery Premises in accordance with any obligation imposed on the Franchisor or the Franchisee in the Bakery Premises Lease.

(b) The Franchisee shall also be required to refurbish the Bakery Premises if the Franchisor reasonably considers that refurbishment is necessary having regard to the current image and corporate profile of the Franchisor, changes to the COBS Bread System, the Trademarks or the condition of the Bakery Premises.

(c) If an obligation to refurbish the Bakery Premises arises under Sections 75(a) or 75(b), the Franchisor may serve on the Franchisee a notice setting out the nature of the Refurbishment Works, an estimate of the likely Cost of the Refurbishment Works and a timetable for the completion of the refurbishment works or particular aspects of the Refurbishment Works.

(d) The Franchisor may unless otherwise agreed by the Franchisor and the Franchisee, organise the Refurbishment Works and in such case the Franchisee authorises and irrevocably appoints the Franchisor as its agent to organise the Refurbishment Works on behalf of the Franchisee, at the Franchisee's Cost, on the following terms:

(1) The Franchisor shall obtain the approvals of all relevant authorities;

(2) The Franchisee must sign the Franchisor's standard form of Bakery Refurbishment Agreement for the Refurbishment Works at the Bakery Premises ("the Bakery Refurbishment Agreement");

(3) The Franchisee shall pay the Costs of the refurbishment works and the Franchisor's Costs in connection with the refurbishment works, including demolition, construction, procurement, administration and management costs;

(4) The Franchisee acknowledges and agrees that the Franchisor may demand, at any time, the whole Costs of the refurbishment works or part payments of the Costs of the refurbishment works;

(5) If the actual Cost of the refurbishment works exceeds the estimate provided by the Franchisor, the Franchisee shall pay, on demand, the additional Costs;

(6) If the actual Costs of the Refurbishment Works are less than the estimate provided by the Franchisor, the Franchisor shall refund or credit to the Franchisee the amount of the excess; and

(7) The Franchisee shall not be permitted to re-commence trading from the Bakery Premises until the Costs of the refurbishment works have been paid in full.

(e) If the Franchisor agrees, in its absolute discretion, that the Franchisee may perform the refurbishment works, the Franchisee must:

(1) obtain the Franchisor's and Landlord's written approval to any plans and drawings;

(2) provide copies of all permits and approvals to the Franchisor;

(3) consult the Franchisor in respect of the refurbishment works and their progress;

(4) reimburse the Franchisor, on demand, for all reasonable Costs the Franchisor incurs in connection with the refurbishment works, including the costs associated with reviewing the Franchisee's plans and drawings and the costs associated with approving the Franchisee's contractors and the costs of inspecting and assessing the refurbishment works travel, living and accommodation Costs incurred by the Franchisor;

(5) close the Bakery Business for trade to enable the refurbishment works to be performed, unless the Franchisor in its absolute discretion believes the refurbishment works can be performed whilst the Bakery Business continues to trade with minimal disruption to the Bakery Business;

(6) engage competent contractors approved by the Franchisor (which approval the Franchisor will not unreasonably withhold);

(7) ensure that all refurbishment works are completed:

(i) in accordance with any deadline or deadlines the Franchisor may reasonably impose;

(ii) in accordance with the Franchisor's requirements;

(iii) in accordance with the requirements of any permit or approval which has been issued or the requirements of any governmental authority or person having jurisdiction over the conduct of the Refurbishment Works;

(iv) in a proper and workmanlike manner;

(v) with all proper and appropriate insurances arranged and maintained;

(vi) in accordance with the requirements of the owner of the Bakery Premises; and

(vii) in compliance with the applicable builders' liens legislation of the jurisdiction in which the Bakery Premises are located.

(8) rectify any defects in the refurbishment works;

(f) The Franchisee acknowledges and agrees that where the Bakery Business has closed for trade for the performance of the refurbishment works, the Franchisee will not be permitted to recommence trading from the Bakery Premises until:

(1) the Costs of the refurbishment works have been paid in full; and

(2) the refurbishment works have been completed to the Franchisor's and Landlord's satisfaction; and

(3) the Franchisor has provided written confirmation that the Franchisee may re-commence trading from the Bakery Premises.

(g) The Franchisee will indemnify the Franchisor and its Affiliates and Associates against any liability, which may be imposed on the Franchisor or its Affiliates and Associates, being a liability that is not substantially caused by the negligence or gross negligence of the Franchisor, arising out of the carrying out of the refurbishment works and will cause to be vacated immediately any liens registered against the Bakery Premises in respect of such works.

Relocation of Bakery Premises

76. The Franchisee must not relocate the Bakery Business to a location other than the Bakery Premises without the prior written consent of the Franchisor, which may be given or withheld in the Franchisor's absolute discretion.

77. If, pursuant to the Bakery Premises Lease, the Landlord requires the Bakery Business to be relocated to other premises, the Franchisee agrees that the relocation shall be subject to the following conditions being satisfied:

(a) the Franchisor securing an occupancy right on terms acceptable to the Franchisor;

(b) the Franchisor being satisfied with the location of the New Bakery Premises;

(c) the Franchisor being satisfied that the relocation will not adversely affect any existing franchisees within the Network or the Franchisor or any Affiliate or Associate of the Franchisor;

(d) the Franchisee providing to the Franchisor evidence of unconditional finance to pay for the relocation of the Bakery Business;

(e) subject to any obligation on the part of the Landlord under the Bakery Premises Lease or retail lease laws to contribute to the relocation costs, the Franchisee paying for the fitout of the New Bakery Premises at the Franchisee's own cost, such fitout to conform to the then prevailing Image and otherwise be in accordance with Sections 57 to 73;

(f) the Franchisee paying to the Franchisor, on demand, all of the Franchisor's Costs in connection with the relocation;

(g) the Franchisee signing a new franchise agreement and all related agreements required by the Franchisor containing the following:

(1) the terms then offered by the Franchisor to franchisees (supported by a guarantee and indemnity signed by the Bakery Principal, the Guarantors and any other directors, shareholders and other persons specified by the Franchisor); and

(2) the term of the new franchise agreement shall end on the date the Term would otherwise have come to an end;

(h) the Bakery Premises Lease being surrendered and the Franchisor being released by the Landlord from all of its obligations actual or contingent (if any) to the Landlord of the Bakery Premises; and

(i) the Landlord releasing any security deposit or bank guarantee held in respect of the Bakery Premises.

78. If this Agreement arises as a result of the relocation of an existing bakery, the Franchisee agrees to sign such documents as may be required by the Franchisor to surrender the franchise agreement in respect of the existing bakery.

Maintaining secrecy and confidentiality

79. During and after the Term the Franchisee, the Bakery Principal and the Guarantors must not disclose to anyone, other than persons working within the Bakery Business (and then, limited only for the purpose of assisting each such person to carry out the job he or she has been employed to carry out in the Bakery Business) any Confidential Information. The restrictions imposed on the Franchisee, the Bakery Principal or the Guarantors by this Section do not prevent the Bakery Principal or the Franchisee or the Guarantors from disclosing Confidential Information:

(a) to their legal and financial advisers for the purpose of obtaining advice and, provided they obtain a written assurance from their advisers that they will respect the confidentiality of the confidential information; or

(b) to any other person if they are compelled to do so by court order, subpoena or other similar process or if the Confidential Information becomes public through no fault of the Franchisee or the Bakery Principal.

Specific Corporate Franchisee Provisions

80. The Franchisee, the Bakery Principal and the Guarantors acknowledge that it is the Franchisor's policy to grant a franchise to a Business Entity only where the Business Entity is Controlled by a qualified individual who agrees to act, and to enter into this Agreement, as the Bakery Principal and that, only at the Bakery Principal's request, the Franchisor has granted the Franchise to the Franchisee.

81. The Franchisee, the Bakery Principal and the Guarantors agree that during the Term:

(a) they will make a copy of the Franchisee's Articles of Incorporation, Formation or Organization, Bylaws, Operating Agreement or Limited Liability Company Agreement or other constating documents available to the Franchisor immediately upon request;

(b) the Franchisee's constating documents will not be amended without the Franchisor's prior written consent, except for amendments to increase the authorized capital or to effect a change of name; and

(c) the Franchisee's name shall not include any of the names, Trademarks, or service marks (or colourable imitations of them) that are referenced in this Agreement.

82. If the Franchisee is a corporation with more than one shareholder (except in the case where there are only two (2) shareholders who are married to each other) the Franchisee agrees:

(a) to procure that the Shareholders enter into a shareholders' agreement on terms approved by the Franchisor to govern their relationship as shareholders of the Franchisee;

(b) to provide to the Franchisor a copy of the shareholders' agreement by the Starting Date; and

(c) not to amend the shareholders' agreement without the prior written approval of the Franchisor during the Term of this Agreement.

83. The Franchisee, the Bakery Principal and the Guarantors will be in material breach of this Agreement if, at any time during the Term, circumstances occur from which it might reasonably be inferred that the Bakery Principal has suffered any loss of or diminution in Control of the Franchisee.

84. The Franchisee, the Bakery Principal and the Guarantors warrant that they will not, during the Term without the prior written consent of the Franchisor in its sole and absolute discretion, allow:

(a) any change to the beneficial ownership of the Franchisee's equity interests;

(b) any of the Franchisee's equity interests to be mortgaged, pledged, encumbered, charged or offered as any form of security;

(c) any allotment of new equity interests to any person other than the Bakery Principal; or

(d) any change to the Directors or Managers or the appointment of any person to be a director or manager of the Franchisee.

85. The Bakery Principal and the Guarantors shall not on any grounds whatsoever claim the benefit of any security that any of them hold over the Franchisee's assets in competition with the Franchisor so as to diminish any payment which the Franchisor would be entitled to receive from the Franchisee or out of the Franchisee's assets.

86. The Bakery Principal agrees to diligently and faithfully perform, and to cause the Franchisee to diligently and faithfully perform, all of the covenants and agreements of the Bakery Principal and the Franchisee contained in this Agreement and in any other agreement entered into between the Franchisor and the Franchisee in connection with the Bakery Premises or Bakery Business. All such obligations imposed upon the Franchisee and the Bakery Principal shall be joint and several obligations.

Indemnity

87. The Franchisee will be solely responsible for, and will defend, indemnify and hold the Franchisor and its Affiliates and Associates harmless and keep the Franchisor and its Affiliates and Associates indemnified and held harmless in respect of any claims, demands, actions, losses, damages, liabilities, Costs of whatsoever kind or nature which may be asserted, or imposed on, or incurred by, the Franchisor and/or its Affiliates or Associates which are connected with or arise, directly or indirectly out of:

(a) the Franchisee's conduct of the Bakery Business or its relationship with its customers, suppliers and other persons with whom the Franchisee deals;

(b) the Franchisee's relationship with its employees and/or non-compliance with any workplace laws and for the avoidance of doubt the indemnity in this Section shall extend to Costs, payments, fines, penalties and other charges incurred by or imposed on the Franchisor or any Affiliate or Associate of the Franchisor by any Court or relevant authority in connection with or arising out of any non-compliance with workplace laws by the Franchisee or any Affiliate or Associate of the Franchisee that employs any of the employees of the Bakery Business; and

(c) any breach of this Agreement by the Franchisee, the Bakery Principal or the Guarantors.

88. The Franchisee will not be liable to the Franchisor under Section 87:

(a) in respect of Costs incurred by the Franchisor relating to settling a dispute under this Agreement; or

(b) in respect of any claims, demands, actions, losses, damages, liabilities or Costs substantially caused by the negligence or gross negligence of the Franchisor.

89. This liability of the Franchisee under Section 87 shall be a continuing obligation of the Franchisee and survive the termination of this Agreement or the expiration of this Agreement by effluxion of time.

Default Under Ancillary Agreements

90. The Franchisee acknowledges that a default by the Franchisee under the Training Agreement, Sublease, Business Lease or any other agreement between the Franchisor and the Franchisee or its Affiliate will constitute a default of the Franchisee under this Agreement, and vice versa.

PART 5
THE FRANCHISOR'S OBLIGATIONS TO THE FRANCHISEE

91. The Franchisor will:

(a) if applicable, comply with all franchise legislation governing the relationship between the Franchisor and the Franchisee in the jurisdiction in which the Bakery Premises are located;

(b) at the Franchisee's Cost, provide supplementary training to the Franchisee and its employees and the Bakery Principal if the Franchisee requests such training or the Franchisor considers it necessary;

(c) if requested by the Franchisee, provide technical advice and information that the Franchisor considers necessary to enable the Franchisee to properly conduct the Bakery Business;

(d) if requested by the Franchisee, provide advice and information that the Franchisor considers necessary about advertising and marketing products sold in the Bakery Business;

(e) make available to the Franchisee a copy of the Recipe Book. The Franchisee shall pay to the Franchisor, within 7 days of a request for payment, the fee prescribed by the Franchisor for the provision of the Recipe Book and any updates to the Recipe Book;

(f) provide to the Franchisee a copy of the Manuals and updates to the Manuals from time to time. The Franchisee shall pay to the Franchisor, within 7 days of a request for payment, the fee prescribed by the Franchisor for the provision of the Manuals and any updates to the Manuals;

(g) replace, at the Franchisee's Cost, the Recipe Books, the Manuals and updates to the Recipe Books and updates to the Manuals if misplaced, damaged or destroyed by the Franchisee;

(h) if requested by the Franchisee and at the Franchisee's Cost, provide management, sales and administrative advice;

(i) use the advertising and marketing contributions received from the Franchisee, including the opening promotion amount, and from all other COBS Bread Bakeries for the advertising and marketing of the COBS Bread System and all COBS Bread Bakeries collectively in such manner as the Franchisor sees fit and in accordance with such policies as may be adopted by the Franchisor from time to time. This may include:

    (1) a national, regional or local advertising and marketing campaigns, including media campaigns and Digital Media campaigns;

    (2) conduct or support of the opening promotion for the Bakery Business;

    (3) promotions and displays at locations the Franchisor chooses;

    (4) sponsorship of events or persons with high profile;

(5) design, creation, build and maintenance of the COBS Bread System website and related software;

(6) charging an administration fee out of the amount of the advertising and marketing contributions to cover direct expenses and administrative costs incurred related to the administration and expenditure of the advertising and marketing contributions;

(7) acquiring or creating advertising and marketing materials paid for out of the advertising and marketing contributions;

(8) having the right to carry forward any surplus of advertising and marketing contributions not expended in any fiscal year, as a reserve for making such expenditures in the next fiscal year;

(9) having the right to be reimbursed from the advertising and marketing contributions if the amount expended for advertising and marketing exceeds the amount of the advertising and marketing contributions on hand;

(10) providing to the franchisee an unaudited financial statement of the receipts and expenditures of the advertising and marketing contributions within a reasonable time after the end of each fiscal year; and

(11) administering the advertising and marketing contributions for the benefit of all COBS Bread stakeholders, provided, however, that the Franchisee acknowledges that the Franchisor is under no obligation to use the advertising and marketing contributions for the benefit of all contributors on an equal or proportionate basis to the amounts contributed;

(j) The parties expressly acknowledge that Section 91(i) is not more than is reasonably necessary to continue the collaborative nature of the relationship between the Franchisor, the Franchisee and all other franchisees of the COBS Bread System in:

(1) being able to offer quality products to Customers at competitive prices; and

(2) acting in uniformity so as to engender and maintain a positive Customer perception of the COBS Bread System and the COBS Bread Bakery.

(k) make its personnel available for consultation with the Bakery Principal during normal business hours; and

(l) replace, at the Franchisee's Cost, the Manuals and updates to the Manuals misplaced, damaged or destroyed by the Franchisee;

(m) provide to the Franchisee:

(1) the Licensed Software and updates made to the Licensed Software from time to time; and

(2) such support services and assistance with respect to the Licensed Software that the Franchisor believes is reasonably necessary to cause the Licensed Software to perform in accordance with the standards specified from time to time by the Franchisor for the Licensed Software.

No other COBS Bread store in Territory

92. The Franchisor will not, without the Franchisee's prior consent, during the Term or any renewal or extension itself open and operate another COBS Bread Bakery or grant a franchise to a third party to open and operate a COBS Bread Bakery within the Territory. The Franchisor may sell clothing and other merchandise bearing the Trademarks to non-bakery businesses within the Territory. The Franchisee acknowledges the limited nature of the territorial protection granted hereby, and that the Franchisor is not granting an exclusive or protected trading area to the Franchisee, but rather is granting to the Franchisee an area around the Bakery Premises which is protected from having another COBS Bread Bakery located directly within it and further that the Franchisee, the Franchisor and all other COBS Bread Bakery franchisees are free to solicit customers for their respective businesses from anywhere.

Events beyond the Franchisor's control

93. Section 92 does not apply to:

(a) an existing COBS Bread Bakery in the Territory; and

(b) any retail business in the Territory that competes with the Franchisee which converts to trading as a COBS Bread Bakery due to a conversion or due to merger or acquisition of a competitor by the Franchisor or an Affiliate or Associate of the Franchisor.

Mystery Shopper Program, Customer Satisfaction Program and Customer Loyalty Program

94. The Franchisee acknowledges and agrees that the Franchisor may establish and conduct a Mystery Shopper Program and/or a Customer Satisfaction Program and/or a Customer Loyalty Program.

95. The Franchisee agrees to:

(a) participate in and co-operate with the Mystery Shopper Program, the Customer Satisfaction Program and/or the Customer Loyalty Program;

(b) comply with the terms of participation for each program set out in the Manuals or otherwise specified, in writing, by the Franchisor; and

(c) the Franchisor passing on information about the Franchisee, the Bakery Principal, the Guarantors and the Bakery Business to any third parties engaged by the Franchisor to conduct such programs.

96. It is expressly agreed and acknowledged by the parties that the provisions of Sections 94 and 95 are:

(a) intended to provide the ability of the COBS Bread System to reduce operational costs and achieve greater efficiencies while maintaining a high standard of service and competitive pricing to the market; and

(b) no more than reasonably necessary to protect the ability of the COBS Bread System and all franchisees to work collectively to achieve this result.

Customer and Other Information

97. The Franchisee must:

(a) collect such information from Customers that is specified in the Manuals or otherwise, in writing, by the Franchisor;

(b) provide the information from Customers collected pursuant to Section 97(a) to the Franchisor at the times and in the form specified in the Manuals or otherwise, in writing, by the Franchisor;

(c) not keep its own separate record or database of the information collected from Customers pursuant to Section 97(a) or copies of the information collected from Customers pursuant to Section 97(a); and

(d) only use the information collected from Customers in accordance with Section 97(a) for the purposes of this Agreement and in performing the Franchisee's obligations under this Agreement.

98. The Franchisee acknowledges and agrees that all information collected from Customers pursuant to Section 97(a) is the Franchisor's property.

99. The Franchisee must, in collecting, storing, disclosing, using and dealing with any information, including information collected from Customers, employees and any other persons relating to the Bakery Business comply with all Privacy Laws and any privacy policies and privacy compliance programs developed by the Franchisor and set out in the Manuals or otherwise specified, in writing, by the Franchisor from time to time.

PART 6
THE FRANCHISOR'S RIGHT TO EXAMINE AND AUDIT THE FRANCHISEE'S SALES

100. The Franchisor may at any time require the Franchisee's Net Sales and Gross Sales to be audited by the Franchisor or by an independent auditor appointed by the Franchisor. The Franchisee must co-operate in all respects with such audit and provide to the person conducting the audit:

(a) all computer data, cash register imprints or other records of Gross Sales for the period that is the subject of the audit;

(b) access to the Bakery Premises during normal business hours;

(c) a copy of invoices and other documents recording expenses including the cost of goods sold;

(d) the names and addresses of any debtors and account customers of the Bakery Business; and

(e) such other documents as may be reasonably requested by the person conducting the audit.

101. If the audit reveals that for the period in question the Franchisee has understated its Net Sales and Gross Sales to any extent the Franchisee must immediately pay to the Franchisor any royalties and advertising and marketing contributions not paid as a result of the understatement of Gross Sales, together with interest thereon from the initial due date as set out in Section 25(a).

102. If the audit reveals that, for the period in question the Franchisee has understated its Net Sales and Gross Sales by more than 1%, the Franchisee must reimburse the Franchisor for all Costs the Franchisor has incurred in connection with the audit and any necessary investigations.

103. The Franchisee authorises the Franchisor to make enquiries of the Franchisee's lending institutions, financiers, Creditors, Customers, employees and of any government department or authority as the Franchisor considers necessary in order to obtain information and/or copies of any documents concerning the Bakery Business in order to determine whether the Franchisee is complying with its legal obligations and this Agreement. The Franchisee agrees:

(a) this Agreement may be produced to the abovementioned parties as evidence of the Franchisee's consent and authority to provide the Franchisor with such information and documents as the Franchisor reasonably requires in connection with the Bakery Business; and

(b) to direct the abovementioned parties to provide the Franchisor with such information and documents as the Franchisor reasonably requires in connection with the Bakery Business.

PART 7
INTELLECTUAL PROPERTY

104. The Franchisor owns or has the right to use and franchise all Intellectual Property associated with businesses conducted under the name COBS Bread.

105. The Franchisee is authorised to use the Intellectual Property solely in relation to the operation of the Franchise to conduct the Bakery Business from the Bakery Premises, and not otherwise. The Franchisee acknowledges that this authorisation does not confer on the Franchisee any goodwill or other ownership interest in the Intellectual Property.

106. The Franchisee must not use the Franchisor's Trademarks or other Intellectual Property in connection with the sale of any products not included in the COBS Bread Menu nor will the Franchisee use the Franchisor's Trademarks or other Intellectual Property in connection with any advertising, marketing or promotion that has not been approved by the Franchisor in writing.

107. If the Franchisee, the Bakery Principal or any of the Guarantors develop, modify or improve the Trademarks or the Intellectual Property, any development, modification or improvement shall be the sole property of the Franchisor and the Franchisee will sign all documents and do all things necessary to transfer or assign the development, modification or improvement to the Franchisor and will waive any and all moral rights to the same.

108. After the expiry or earlier termination of the Term, the Franchisee, and anyone associated with the Franchisee (including the Bakery Principal and the Guarantors), must not use the Intellectual Property or hold themselves out as being authorised to do so.

109. The Franchisee and the Bakery Principal and the Guarantors must not, either during the Term or after the expiry or earlier termination of the Term dispute or contest the validity, ownership or enforceability of the Intellectual Property or take any action which has the effect of diluting the value of the Intellectual Property.

110. The Franchisee must prominently display the Franchisor's Trademarks in the manner directed by the Franchisor.

111. Without limiting the generality of Sections 104 to 110, where the Technology, including but not limited to the Licensed Software, has been developed specifically by or for the Franchisor for use by the Network, the Franchisee, the Bakery Principal and the Guarantors acknowledge and agree that:

    (a) such Technology, including but not limited to the Licensed Software, that has been developed specifically by or for the Franchisor, are part of the Franchisor's Intellectual Property;

    (b) the Franchisee is only authorised to use such Technology during the Term and only in the conduct of the Bakery Business;

    (c) all data collected on or created by the use of the Technology, including but not limited to the Licensed Software, will be owned by the Franchisor;

(d) they shall not assert proprietary rights to the Licensed Software or any part of it;

(e) they will establish and maintain security precautions to protect the Technology, including but not limited to the Licensed Software, and any data collected on or created by the use of the Technology; and

(f) on the expiry or termination of this Agreement the Franchisor shall be entitled to restrict or remove the Franchisee's and the Bakery Principal's and the Guarantors' access to such Technology, in particular, the Licensed Software which has been developed specifically by or for the Franchisor.

112. The Franchisee, the Bakery Principal and the Guarantors acknowledge and agree that they will use the Technology in accordance with the terms and conditions set out in this Section:

(a) the Franchisee shall ensure that the Technology, including but not limited to the Licensed Software is only used by the Franchisee's employees and that such employees are fully trained in the operation of the Licensed Software;

(b) the Franchisee shall ensure that the Licensed Software is not used for any other purpose other than the conduct of the Bakery Business.

113. In respect of the Licensed Software:

(a) the Franchisee shall allow the Franchisor or its approved installer access to the Bakery Premises to install, test and update the Licensed Software and the Franchisee shall pay or reimburse the Franchisor the costs associated with the installation, testing and update of the Licensed Software;

(b) the Franchisee shall pay to the Franchisor the Licensed Software Fee - this payment is due monthly on the day specified by the Franchisor from time to time;

(c) the Franchisee shall not:

(1) sell, assign, lease, sublicense, grant a security interest with respect to, disclose, grant access to or exploit (commercially or otherwise), in any way, the Licensed Software, or any data stored on or created by the use of the Licensed Software;

(2) copy or reproduce the Licensed Software, or any data stored on or created by the use of the Licensed Software, in any manner; or

(3) change or instruct any other person to change or adapt the Licensed Software or interfere with the operation of the Licensed Software;

(d) any developments, modifications or improvements or suggestions for modifications or improvements to the Licensed Software by the Franchisee shall be the sole property of the Franchisor and the Franchisee will sign all documents and do all things necessary to transfer or assign the developments, modifications or improvements to the Franchisor and will waive any and all moral rights to the same;

(e) the Franchisor does not warrant to the Franchisee that the Licensed Software is error free or that the operation and use of the Licensed Software will be uninterrupted or error free;

(f) the Franchisor shall have no obligation or liability for any expense or loss, including indirect loss, consequential loss, loss of profits or loss of data, exemplary, incidental or punitive damages incurred by the Franchisee arising from use of the Licensed Software;

(g) the Franchisor makes no warranties, express or implied with respect to the Licensed Software, including any warranties of merchantability or fitness for a particular purpose.

114. Sections 113(e) to 113(g) are subject to any rights the Franchisee has under any applicable legislation and nothing in Sections 113(e) to 113(g) operates to limit or exclude liability that cannot be limited or excluded by law.

115. The Franchisee, the Bakery Principal and the Guarantors must immediately notify the Franchisor of any apparent or threatened infringement of, or challenge to, the Franchisee's use of the Franchisor's Intellectual Property, including the Trademarks and the Franchisee, the Bakery Principal and the Guarantors must not communicate with any person other than the Franchisor or its solicitors in respect of such infringement or challenge. The Franchisor retains an absolute discretion to take such action as it sees fit in respect of such infringement or challenge. This may include taking control of any related litigation or negotiation and if this occurs, the Franchisee, the Bakery Principal and the Guarantors must provide the Franchisor with assistance, execute any documents the Franchisor may reasonably require and follow the Franchisor's directions and instructions. If as a result of any such infringement or challenge the Franchisor in its sole discretion determines that any Trademark should be modified or discontinued and replaced by a substitute trademark, the Franchisee, the Bakery Principal and the Guarantors agree to make such modification or substitution, and the Franchisor will pay the reasonable direct costs and expenses

incurred by the Franchisee to do so, except where such infringement or challenge arose in any way out of or through the default of the Franchisee or the Bakery Principal or any of the Guarantors.

Modifications to Intellectual Property

116. If the Franchisor notifies the Franchisee, in writing, that it wishes to:

(a) modify or discontinue the use of any Intellectual Property, including the Trademarks, or use one or more additional or substitute trademarks; or

(b) modify the corporate colours, trade dress, décor, uniform specifications, any part of the designs, appearance or operation attributes of the COBS Bread System,

the Franchisee must immediately comply with such notice at its own Cost and the Franchisee must:

(c) use the modified, additional or substitute intellectual property, trademarks or business names, corporate colours, trade dress, décor, uniform specifications, designs, appearance or operation attributes of the COBS Bread System in accordance with this Agreement;

(d) cease to use any Intellectual Property and Trademarks, corporate colours, trade dress, décor, uniforms, designs, appearance or operation attributes of the COBS Bread System declared by the Franchisor to be obsolete; and

(e) undertake all reasonable upgrades, fit outs, reprints and modifications to the Bakery Premises, Bakery Equipment, letterhead, business cards, stationery and uniforms as are reasonably required by the Franchisor.

117. The Franchisor is not liable to the Franchisee or any other person for any loss, cost or damages arising from any modification or changes required under Section 116.

Website and Digital Media

118. The Franchisor has established a website on the Internet which is www.cobsbread.com. The Franchisee agrees not to establish its own internet website or Digital Media sites using the Franchisor's name or any of its Trademarks or register any domain name in respect of the COBS Bread System or the Bakery Business, unless it shall have obtained the prior written approval of the Franchisor, which approval may be refused at the absolute discretion of the Franchisor.

119. The Franchisor reserves the right to develop all other forms of interactive marketing and sales facilities which shall form part of the COBS Bread System and part of the Franchisor's Intellectual Property.

120. The Franchisee shall not develop or be engaged in other forms of interactive marketing and sales facilities or any other related forms of marketing, without the prior written consent of the Franchisor. The Franchisee expressly acknowledges that any future website or Digital Media sites developed by the Franchisor shall form part of the Intellectual Property and the Franchisee shall comply at all times with Sections 104 to 110 and 115.

121. The Franchisee must obtain the prior written approval of the Franchisor in relation to the operation of any social networks or blogs which involve the Bakery Business or the COBS Bread name or the COBS Bread Trademarks.

122. The Franchisee must not:

(a) change or instruct any other person to change, the structure or layout of the Franchisor's website or Digital Media sites or the website or Digital Medial sites of any Affiliate or Associate of the Franchisor or interfere with the operation of such websites or Digital Media sites;

(b) publish the Intellectual Property, Confidential Information or any other information relating to the Bakery Business and the COBS Bread System on the Internet or in any other Digital Media, without receiving the Franchisor's prior written approval;

(c) conduct any marketing, advertising, promotional activities, campaigns of the Bakery Business utilising the Internet or other Digital Media, without receiving the Franchisor's prior written approval; and/or

(d) unless it has the Franchisor's prior written approval, or as may be required by the Franchisor, sell or offer for sale any products via the Internet or in any other Digital Media;

123. The Franchisee acknowledges that in relation to the Bakery Business and the Franchisor's Intellectual Property it will act with care when using any Digital Media and it shall always do its utmost to look after the best interests of the Franchisor and anything to be published, circulated, transmitted or disseminated in any way by or through Digital Media shall be subject to the Franchisor's prior written approval.

PART 8
THE FRANCHISOR'S BUSINESS

124. The Franchisor may sell or assign its business as the Franchisee's franchisor at any time to any party. If this occurs the Franchisee must either:

(a) enter into a new franchise agreement with the purchaser or its nominee on the same terms as this Agreement except that the term of the new franchise agreement will end on the same date as the end of the Term; or

(b) enter into an agreement with the purchaser or its nominee and the Franchisor whereby it is agreed that the Franchisor's rights and obligations under this Agreement are transferred to and assumed by the purchaser or its nominee.

125. The Franchisee acknowledges and agrees that the Franchisor may, at any time during the Term, purchase, acquire or merge with an existing franchise network or retail chain or other business, whether or not such franchise network, or retail chain or business is a competitor of the Network and may:

(a) operate or grant a franchise to a third party to operate those businesses using the Intellectual Property from premises that are within the Territory; or

(b) require the Franchisee to cease using any Intellectual Property and use any modified, additional or substitute intellectual property in accordance with Section 116.

PART 9
DISPOSITION OF THE FRANCHISEE'S BAKERY BUSINESS

Death or Permanent Disability of the Bakery Principal or Bakery Principal ceasing involvement in Bakery Business

126. If a Relevant Event occurs, the Franchisor may, at its option, take over the management of the Bakery Business, for the Management Period.

127. If the Franchisor exercises the right to take over the management of the Bakery Business pursuant to Section 126, the provisions of this Section and Sections 128 to 131 shall apply:

(a) the Franchisee agrees that, during the Management Period, the Franchisor and the Franchisor's employees that the Franchisor authorises shall have the right to:

(1) use all equipment and supplies, including the Bakery Equipment, used in the conduct of the Bakery Business;

(2) occupy the Bakery Premises; and

(3) make all such management decisions on the Franchisee's behalf as the Franchisor reasonably considers are in the best interest of the Bakery Business including decisions as to the employment and termination of employment of employees and the servicing, upgrading or purchasing of the Bakery Equipment and supplies;

(b) the Franchisor will account to the Franchisee on a monthly basis for any cash surplus generated by the Bakery Business after deducting all expenses (including all franchise royalties and advertising and marketing contributions) and a reasonable management fee payable to the Franchisor; and

(c) the Franchisee is liable to reimburse to the Franchisor on a monthly basis any cash deficit generated by the Bakery Business after deducting all expenses as above and a reasonable management fee payable to the Franchisor.

128. Within 6 months after the happening of the Relevant Event, the Franchisee must use its best endeavours to recruit a replacement Bakery Principal acceptable to the Franchisor and who can otherwise comply with the terms of this Agreement. Such replacement Bakery Principal, in order to be eligible for approval by the Franchisor, must satisfy all of the Franchisor's then current criteria for the approval of bakery principals including, but not limited to, the satisfactory completion of competency based training.

129. Upon the replacement Bakery Principal signing an agreement with the Franchisor under which he or she agrees to be bound by the terms of this Agreement as if he or she were the Bakery Principal named in this Agreement, the Management Period will come to an end.

130. If within 6 months after the happening of the Relevant Event the Franchisee has not been able to recruit a replacement bakery principal acceptable to the Franchisor, the Bakery Business must be put on the market for sale.

131. If within 12 months after the happening of a Relevant Event the Franchisee has not been able to recruit a replacement bakery principal acceptable to the Franchisor and the Bakery Business has not been sold, the Franchisor may, at its option:

(a) extend the term of the Management Period for such duration as the Franchisor sees fit to allow the Franchisee additional time to recruit a bakery principal acceptable to the Franchisor or to sell the Bakery Business; or

(b) instigate and implement the processes set out in this Agreement for the termination of the Franchise due to the Franchisee's breach.

Separations

132. If a Separation occurs:

(a) the Bakery Principal shall nevertheless manage and devote his or her whole time and attention to the Bakery Business during business hours and otherwise comply with the obligations imposed upon him or her under this Agreement;

(b) the Franchisor may take over the management of the Bakery Business for the Management Period;

(c) if the Franchisor exercises the right to take over the management of the Bakery Business pursuant to Section 132(b):

(1) the Franchisee agrees that during the Management Period such of the Franchisor's employees that the Franchisor authorises shall have the right to:

(i) use all equipment, including the Bakery Equipment, used in the conduct of the Bakery Business;

(ii) occupy the Bakery Premises; and

(iii) make all such management decisions as the Franchisor reasonably considers are in the best interest of the Bakery Business, including decisions as to the employment and termination of employment of employees and the servicing, upgrading or purchasing of the Bakery Equipment and supplies;

(2) the Franchisor will account to the Franchisee on a monthly basis for any cash surplus generated by the Bakery Business after deducting all expenses and a reasonable management fee payable to the Franchisor; and

(3) the Franchisee is liable to reimburse to the Franchisor on a monthly basis any cash deficit generated by the Bakery Business after deducting all expenses and a reasonable management fee payable to the Franchisor.

133. If within 6 months of the date of Separation the Bakery Principal has not purchased the other partner's interest in the Bakery Business, the Bakery Business must be put on the market for sale.

134. If within 12 months of the date of Separation the Bakery Business has not been sold, the Franchisor may, as its option:

(a) extend the term of the Management Period for such duration as the Franchisor sees fit to allow the Franchisee additional time to sell the Bakery Business; or

(b) instigate and implement the processes set out in this Agreement for the termination of this Agreement.

Sale of Bakery Business

135. In the event of any proposed change of Control of the Franchisee, the provisions of Sections 136 to 140 shall apply as if such change was deemed to be a sale of the Franchisee's Bakery Business.

136. If the Franchisee wishes to sell the Bakery Business, the Franchisee must first offer in writing to sell the Bakery Business to the Franchisor in writing stating the price at which the Franchisee wishes to sell the Bakery Business and the terms for payment of the price ("the offer"). Within 21 days of receiving the Franchisee's offer, the Franchisor will advise the Franchisee in writing:

(a) whether it will accept the offer;

(b) alternative terms upon which it would be prepared to purchase the Franchisee's Bakery Business ("the counteroffer"); or

(c) whether it agrees to the Franchisee placing the Bakery Business on the open market for sale on no more favourable terms to the purchaser than those offered to the Franchisor.

137. If the Franchisor does not respond to the offer within 21 days, it will be deemed to have agreed to the Franchisee placing the Bakery Business on the open market for sale as above.

138. If the Franchisor submits a counteroffer, the Franchisee must within 14 days of receiving the Franchisor's counteroffer advise the Franchisor, in writing, whether or not the Franchisee accepts the counteroffer. If the Franchisee does not accept the counteroffer, the Franchisor will agree to the Franchisee placing the Bakery Business on the open market for sale as above.

139. If the Franchisor accepts the Franchisee's offer or the Franchisee accepts the counteroffer a binding contract will come into existence once such acceptance is communicated to the other party. Despite this, the Franchisor will engage its lawyers to prepare a formal contract recording the terms negotiated which each of the Franchisor, the Franchisee and the Bakery Principal will sign within 7 days of such formal contract being presented for signing.

140. Any sale of the Franchisee's Bakery Business other than to the Franchisor must be conditional upon the Franchisor's prior written approval of the purchaser as a franchisee. The Franchisor will withhold such approval unless:

(a) the Franchisee requests the approval in writing;

(b) the Franchisee provides all information that the Franchisor reasonably requires and expects to be given to make an informed decision;

(c) the Franchisee obtains the Franchisor's prior written approval to any marketing, advertising and promotional materials to be used by the Franchisee in advertising the Bakery Business for sale;

(d) the Franchisee provides to the Franchisor, prior to signing, a copy of the contract of sale and makes any changes to the contract of sale that the Franchisor reasonably requires;

(e) the Franchisee, the purchaser and the purchaser's proposed bakery principal demonstrate to the Franchisor that the purchaser and the purchaser's proposed bakery principal (and if the purchaser is a Business Entity, its Directors and Managers and Shareholders and Members) are reputable and responsible, have in the Franchisor's opinion sufficient financial resources to operate the Bakery Business, and otherwise meet the Franchisor's qualifications for new franchisees;

(f) the purchaser and the purchaser's proposed bakery principal (and if the purchaser is a Business Entity, its Directors and Managers and Shareholders and Members) have in the Franchisor's opinion sufficient experience and completed sufficient training to enable them to adequately run a COBS Bread Bakery and comply with the terms of the franchise agreement then being used by the Franchisor;

(g) all parties to this Agreement enter into an agreement in a form approved by the Franchisor terminating the Franchise granted under this Agreement and including a general release by the Franchisee and the Bakery Principal in favour of the Franchisor and its Affiliates and Associates of all claims against the Franchisor or its Affiliates and its Associates under this Agreement and any other ancillary franchise agreements;

(h) the Franchisor, the purchaser and the purchaser's proposed bakery principal enter into a new franchise agreement and all related agreements required by the Franchisor containing the following:

(1) the terms then offered by the Franchisor to franchisees (supported by a guarantee and indemnity signed by the directors and shareholders of the purchaser and any other persons specified by the Franchisor, if the purchaser is a Business Entity; and

(2) the term of the new franchise agreement shall end on the date the Term would otherwise have come to an end;

(i) the Landlord consents to the purchaser commencing business as the Franchisor's franchisee from the Bakery Premises (if such consent is necessary under the terms of the Bakery Premises Lease);

(j) if the Franchisee leases the Bakery Premises, the Bakery Premises Lease is assigned or transferred to the purchaser or a new lease is entered into on terms acceptable to the Franchisor and the Franchisee bears all associated Costs incurred by the Franchisor and/or the Landlord in preparing, negotiating and executing such assignment or transfer or new lease (as the case may be);

(k) the Franchisee removes from the Bakery Premises any bakery equipment, the use of which has not been authorised in writing by the Franchisor and replaces such unauthorised bakery equipment with bakery equipment that has been authorised by the Franchisor; and

(l) the Franchisee pays the Franchisor at or prior to the completion of the sale:

(1) the Transfer Fee;

(2) an amount equal to all Costs the Franchisor incurs arising out of the sale of the Franchisee's Bakery Business;

(3) any money which the Franchisee owes the Franchisor;

(4) the Security Retention Sum to be held in accordance with Sections 145(l) and 147 to 151; and

(5) an amount necessary to enable the Franchisor on the Franchisee's behalf to repay any debts owed to the Franchisee's suppliers.

(m) Where the Bakery Premises Lease provides for the payment of Percentage Rent, the Franchisee agrees as follows:

(1) if the Landlord is able to determine the amount of any Percentage Rent payable as at the date of completion of the sale to the purchaser, ("the Completion Date") the Franchisee shall pay to the Franchisor or the Landlord (if directed by the Franchisor), the amount of Percentage Rent specified by the Landlord up to the Completion Date;

(2) if the Landlord is not able to determine the amount of any Percentage Rent payable as at the Completion Date, the Franchisee shall pay to the Franchisor such amount as may be specified by the Franchisor (acting reasonably) ("the Percentage Rent Amount") on account of any Percentage Rent that may be payable to the Landlord under the Bakery Premises Lease up to the Completion Date; and

(3) once the Landlord has determined the amount of Percentage Rent payable under the Bakery Premises Lease, the Franchisor will perform a reconciliation; and:

(4) if the Percentage Rent Amount exceeds the Percentage Rent determined by the Landlord the Franchisor shall within one month of the Landlord's determination,

pay the Landlord from the Percentage Rent Amount the Percentage Rent determined by the Landlord and shall refund any balance remaining to the Franchisee;

(5) if the Percentage Rent Amount is less than the Percentage Rent determined by the Landlord the Franchisee shall within 14 days of the Landlord's determination pay the shortfall to the Franchisor or the Landlord if directed by the Franchisor.

(n) The Franchisee, the Bakery Principal and the Guarantors acknowledge and agree that, if the Franchisor has given its approval to the sale of the Franchisee's Bakery Business the Franchisor may revoke such approval within 14 days of having given the same. If the Franchisor revokes its approval it must give written notice to the Franchisee advising of the revocation and setting out the Franchisor's reasons for the revocation.

PART 10
TERMINATION

Termination by the Franchisor

141. Upon the happening of a Termination Event, the Franchisor may, at its option:

(a) give written notice of immediate termination of this Agreement ("Immediate Termination Notice"), which shall have the effect of immediately terminating this Agreement; or

(b) give written notice of termination of this Agreement ("Deferred Termination Notice") on a date specified in such notice ("Deferred Termination Date"), which shall have the effect of terminating this Agreement on the Deferred Termination Date; or

(c) give a Mandatory Sale Notice and if a sale of the Bakery Business is not completed by the Required Sale Date this Agreement shall terminate in accordance with Section 142.

142. The Franchisee and the Franchisor agree that this Agreement shall be terminated by mutual agreement if a sale of the Bakery Business is not completed by the Required Sale Date in accordance with Section 141(c) and 7 days have elapsed since the Franchisor has given written notice to the Franchisee that this Agreement shall be terminated by mutual agreement under this Section 142.

143. The Franchisee, the Bakery Principal and the Guarantors will be deemed to:

(a) admit breaching this Agreement in the manner specified in any Breach Notice served on the Franchisee by the Franchisor under this Agreement; and

(b) accept the manner in which the Franchisor requires the Franchisee to remedy such breach or breaches,

if the Franchisee does not, within the time to remedy such breach or breaches as specified in the Breach Notice give a Dispute Notice to the Franchisor in accordance with Section 154.

If the Franchisor has the right to terminate this Agreement or the Sublease or Business Lease due to an unremedied breach, then the Franchisor may without prior notice or resort to the Court enter upon and take possession of the Bakery Premises and the Business Assets using such reasonable force as is necessary in the circumstances, without being guilty of trespass or liable in any way to the Franchisee or the Bakery Principal for such entry, or for any loss or damage which may be occasioned thereby, for the purposes of exercising any rights of distress or execution to which the Franchisor may be entitled, or securing the return of the Franchisor's property, the performance of the Franchisee's and the Bakery Principal's obligations and the protection of the Franchisor's rights upon expiry or termination.

144. The Franchisor may immediately terminate this Agreement if a franchise agreement for another COBS Bread Bakery entered into between the Franchisor and the Franchisee or the Bakery Principal or a Guarantor or an Affiliate or Associate of the Franchisee is terminated as a result of a Termination Event. The Franchisee, the Bakery Principal and the Guarantors consent to the termination of this Agreement in such circumstances.

Rights and obligations of the parties on termination

145. Upon the expiry or termination of the Franchise for any reason whatsoever the Franchisee, the Bakery Principal and the Guarantors must immediately:

(a) vacate the Bakery Premises leaving behind all fixtures, fittings, plant and equipment, including the Bakery Equipment, used by the Franchisee in running the Bakery Business in the Bakery Premises until such time as the Franchisor, in accordance with Section 152(k), advises the Franchisee, in writing, to remove such fixtures, fittings, plant and equipment;

(b) compensate the Franchisor for the Costs the Franchisor incurs in removing and storing the Franchisee's fixtures, fittings, plant and equipment, including the Bakery Equipment, if the Franchisee fails to remove such items in accordance with Section 145(a) and Section 152(k);

(c) reinstate the Bakery Premises to the condition required by the Bakery Premises Lease and/or as specified by the Franchisor;

(d) compensate the Franchisor for the Costs the Franchisor incurs in reinstating the Bakery Premises to the condition required by the Bakery Premises Lease and/or as specified by the Franchisor in accordance with Section 145(c);

(e) deliver to the Franchisor all keys and security access to the Bakery Premises;

(f) if the Franchisor agrees, in its absolute discretion, that the Franchisee can continue to occupy the Bakery Premises after the expiry or termination of this Agreement, the Franchisee must remove all signs, fixtures and fittings featuring any of the Intellectual Property, including the Trademarks, and change all colours and the layout and appearance of the Bakery Premises, as required by the Franchisor, to ensure that the Bakery Premises cannot be confused with a COBS Bread Bakery and to ensure the public is not given the impression that the Franchisee remains or is in any way connected with the Franchisor. If the Franchisee fails to remove all signs, fixtures and fittings featuring any of the Intellectual Property, including the Trademarks, and change all colours and the layout and appearance of the Bakery Premises, as required by the Franchisor or fails to do so to the Franchisor's reasonable satisfaction, the Franchisor shall be entitled to enter the Bakery Premises and perform all works and do all things that may be required and the Franchisee shall compensate the Franchisor for the reasonable Costs the Franchisor incurs;

(g) return to the Franchisor the original and any copies of the Manuals, the Recipe Book, newsletters, forms, stationery, promotional and marketing materials, business cards or any other materials produced or provided by the Franchisor or that bear any of the Trademarks;

(h) sign all documents required by the Franchisor to confirm the expiration or termination of this Agreement;

(i) cease using the Franchisor's Intellectual Property, including but not limited to the Trademarks, and cease using the Technology, that has been developed specifically by or for the Franchisor, in particular, the Licensed Software, that has been developed specifically by or for the Franchisor;

(j) where the Franchisee leases the Bakery Premises, and if required by the Franchisor, use it best endeavours to procure either a transfer of the Bakery Premises Lease to the Franchisor or its nominee (as directed by the Franchisor) or a new lease of the Bakery Premises in favour of the Franchisor or its nominee (as directed by the Franchisor);

(k) transfer to the Franchisor or its nominee (as directed by the Franchisor):

(1) all telephone and facsimile numbers, domain names and e-mail addresses used by the Franchisee in connection with the Bakery Business; and

(2) all permits, registrations and licences necessary for the conduct of the Bakery Business;

(l) pay to the Franchisor:

(1) all money which the Franchisee owes the Franchisor;

(2) all money payable under the Bakery Premises Lease, including any Costs associated with the surrender or termination of the Bakery Premises Lease; and

(3) the Security Retention Sum to be held in accordance with Sections 147 to 151;

(m) sell to the Franchisor the Assets if the Franchisor exercises its option to purchase contained in Section 152 of this Agreement; and

(n) comply with Section 48 of this Agreement and with any relevant provisions of the Sublease or Business Lease.

146. The Franchisee acknowledges and agrees that the expiry or termination of this Agreement will not:

(a) entitle the Franchisee to receive any payment or compensation from the Franchisor for any goodwill in connection with the Bakery Business or any reputation developed by the Franchisee in connection with the Bakery Business or the Bakery Premises;

(b) affect any of the Franchisor's rights or obligations up to the date of expiration or termination; and

(c) entitle the Franchisee to a refund of any monies paid by the Franchisee to the Franchisor.

Security Retention Sum

147. Upon the expiry or termination of this Agreement for any reason whatsoever the Franchisee must, unless the Franchisor determines otherwise in writing, pay to the Franchisor, on demand, the Security Retention Sum.

148. The Security Retention Sum shall be held by the Franchisor for the Security Retention Period as security for any then known or unknown obligations of the Franchisee in respect of the Bakery Business or the Bakery Premises, including, but not limited to:

(a) sums owing to Creditors;

(b) sums owing to employees of the Bakery Business;

(c) unpaid taxes;

(d) unassessed outgoing contributions payable under the Bakery Premises Lease; or

(e) unassessed Percentage Rent payable under the Bakery Premises Lease.

149. If any legitimate claim is made by or on behalf of any Creditor, the Franchisor shall be entitled and is authorised by the Franchisee to wholly or partially satisfy such legitimate claim from the Security Retention Sum in such amount and with such priority as the Franchisor in its absolute discretion, determines.

150. Upon the expiration of the Security Retention Period, the Franchisor must refund to the Franchisee such part of the Security Retention Sum that has not been applied to satisfy any such legitimate claims by creditors.

151. If at the time of the expiry or termination of this Agreement, the Franchisee conducts a second or multiple COBS Bread Bakeries, the Franchisor may, in its absolute discretion, waive the requirement to pay to the Franchisor the Security Retention Sum required pursuant to Sections 145(l), 140(l)(4) and Section 147. In such case, if a legitimate claim is made by or on behalf of any Creditor with respect to the Bakery Business or the Bakery Premises, the Franchisee agrees to pay, within 7 days of request by the Franchisor, the amount of the legitimate claim.

The Franchisor's option to purchase

152. The Franchisee grants the Franchisor an option (to be exercised by notice in writing by the Franchisor within 90 days of the expiry or termination of this Agreement) to purchase the Assets, on the following terms:

(a) the Franchisee must permit the Franchisor and its authorised agents to inspect and test the Assets;

(b) ownership of the Assets will immediately pass to the Franchisor upon the option being exercised;

(c) the price of the Assets will be the amount the Franchisor nominates in the notice exercising the option, unless within 14 days of receipt of such notice the Franchisee advises the Franchisor in writing that it requires the price to be determined in accordance with the following Section;

(d) if the Franchisee gives notice under Section 152 the price will be the difference between:

(1) subject to adjustment under Section 152(e), the lower of:

(i) the written down value of the Assets at the time the Franchisor exercises the option referred to in this Section calculated by the Franchisor in accordance with the Depreciation Rates published from time to time by the Internal Revenue Service; or

(ii) a fair market value of the Assets at the time the Franchisor exercises the option referred to in this Section as determined by a valuator appointed by the Franchisor whose costs shall be shared equally by the parties; and

(2) the Costs or estimated Costs of any works required to:

(i) service and render operable any of the Assets;

(ii) repair any damage to the Bakery Premises or comply with any make good provision under the Bakery Premises Lease which is enforced by the Landlord, provided such Costs have not been taken into account in determining either the written down value or market value of the Assets;

(e) if the Franchisee has received or is entitled to receive a payment or contribution from any other person, including the Landlord, for the purchase or acquisition of any of the Assets, the parties agree that for the purposes of calculating the price under Section 152(d) the amount of that payment or contribution shall be deducted from the price payable;

(f) if any of the Assets are encumbered the Franchisee authorises the Franchisor to communicate with the Franchisee's financier in order to obtain a discharge or release of the encumbrance and the Franchisee agrees that the Franchisor may pay to the financier the price or such portion of the price necessary to discharge or release the encumbrance;

(g) the price shall be payable as to 10% upon the price being determined and the balance within 60 days of the price being determined, or where Section 152(f) applies within 60 days of the Franchisor and the Franchisee's financier reaching agreement as to the price necessary to discharge or release the encumbrance;

(h) the Franchisor may set off against the price any amounts the Franchisee owes to the Franchisor;

The Franchisor's right to nominate an alternative purchaser

(i) The Franchisor may, at least 14 days before the price is due to be paid under Section 152(g) nominate, in writing, a substitute or additional Purchaser of the Franchisee's Assets.

The Franchisor's right to use the Franchisee's equipment

(j) Pending the Franchisor exercising the option to purchase referred to in Section 152, the Franchisor may possess and use the Assets and any other fixtures, fittings, plant and equipment, including the Bakery Equipment, of the Franchisee and allow any Affiliate or Associate of the Franchisor or other franchisee or manager appointed by the Franchisor to possess and use them for the purpose of conducting the Bakery Business from the Bakery Premises.

(k) If the Franchisor does not wish to purchase some or all of the Assets, under Section 152, the Franchisor shall provide to the Franchisee a notice, in writing, listing the Franchisee's fixtures, fittings, plant and equipment that it does not wish to purchase ("the Excluded

Assets") and the Franchisee agrees that it will, at its own Cost and within the timeframe specified by the Franchisor (acting reasonably) in the notice, arrange for the removal of the Excluded Assets. If the removal of the Excluded Assets causes damage to the Bakery Premises the Franchisee agrees to repair the damage at its own Cost or compensate the Franchisor the reasonable Costs incurred by the Franchisor in repairing the Bakery Premises. The Franchisee agrees that if the Franchisee does not remove the Excluded Assets within the timeframe specified by the Franchisor in its notice, the Excluded Assets will be deemed abandoned by the Franchisee and will become the property of the Franchisor, such that the Franchisor may:

(1) remove, store and/or sell the Excluded Assets on such terms as the Franchisor sees fit at the Franchisee's Cost;

(2) apply the net proceeds of sale of the Excluded Assets towards the Costs of removal, storage and repair of any damage caused by the removal and towards any other monies outstanding to the Franchisor.

(l) If the Franchisor purchases some of the Assets the Franchisor may set off against the price payable for the Assets:

(1) the Costs of removal and storage of the Excluded Assets;

(2) the Costs of repair of any damage caused to the Bakery Premises by the removal of the Excluded Assets, whether caused by the Franchisee or the Franchisor; and

(3) any other monies outstanding to the Franchisor.

(m) The parties intend that Section 152(k) operate in relation to the Excluded Assets in place of any legislation that might otherwise apply to goods remaining on the Bakery Premises.

PART 11
POWER OF ATTORNEY

153. The Franchisee hereby irrevocably appoints the person serving as the President of the Franchisor, on behalf of the Franchisor, as the Franchisee's attorney for it and in its name and on its behalf to

sign documents and do such things as may be necessary to ensure that it complies with its obligations under this Agreement. The Franchisor shall not be entitled to act as the Franchisee's attorney pursuant to this Section unless at that time the Franchisee is in breach of this Agreement and such breach has not been remedied to the Franchisor's reasonable satisfaction within 7 days of the Franchisor giving to the Franchisee written notice of such breach and its intention to act as the Franchisee's attorney pursuant to this Section 153. The Franchisor's appointment as the Franchisee's attorney is coupled with an interest and may not be terminated or revoked and the Franchisee and the Bakery Principal each agree to ratify anything the Franchisor does in the exercise of such power of attorney. This Agreement shall be treated for all purposes as if the corporate seal of the Franchisee has been affixed to it. If the Franchisee or the Bakery Principal is a natural person, the Franchisee and the Bakery Principal each hereby declare that such power of attorney may be exercised during any subsequent mental infirmity on his or her part.

PART 12
RESOLUTION OF DISPUTES

154. Subject to Sections 169 and 170, a party to this Agreement claiming that a dispute ("the Dispute") has arisen under, or in connection with this Agreement must, prior to commencing any legal proceeding, give a Dispute Notice to the other party to this Agreement.

155. On receipt of the Dispute Notice by the other party, the parties to this Agreement must, within 7 days of the Dispute Notice, cause representatives of all parties to the Dispute to communicate with each other and endeavour in good faith to resolve the Dispute expeditiously by negotiation.

Mediation

156. If the Dispute has not been resolved within 7 days of the Dispute Notice, the Dispute will be submitted to non-binding mediation. Mediation will be before a single skilled and experienced independent mediator mutually and reasonably agreed upon by the parties, and the cost of the mediation will be borne equally by the parties. If the parties cannot agree on a mediator within 20 days after the end of the negotiation period in Section 155, then each party will nominate its own mediator within ten 10 days thereafter and the two mediators will within a further 10 days agree on the appointment of a mediator who will serve as the single skilled and experienced independent mediator. All mediation proceedings will take place in Vancouver, British Columbia, Canada and will be for a duration of one business day, unless otherwise mutually agreed upon by the parties. All discussions, negotiations, findings or other statements of the parties and the mediator in

connection with the mediation, whether oral or written, will be kept private and confidential and will not be admissible in any future proceeding. If a Dispute is properly submitted to mediation, the obligation to attend the mediation is binding on both parties, but neither party will be obligated to offer or accept any compromise or settlement in connection with a mediation, and neither will incur any liability for declining to do so.

Arbitration

157. The parties to this Agreement will arbitrate any Dispute that they do not settle under the negotiation or mediation procedures above, except as specifically provided in this Agreement.

158. The arbitration will be held in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA") at a hearing administered by the AAA to be held at New York City, New York. If no disclosed claim or counterclaim exceeds $75,000 exclusive of interest and arbitration costs, Sections e1 through e10 of the AAA's Commercial Dispute Resolution Procedures (Expedited Procedures) will be applied to the arbitration. Unless the parties agree otherwise, all Disputes will be heard by a single neutral arbitrator. If the parties cannot agree on a single neutral arbitrator, one will be appointed by the AAA.

159. At the request of a party, the arbitrator will have the discretion to order examination by deposition of witnesses to the extent the arbitrator considers additional discovery relevant and appropriate. If ordered, the deposition must be held within 30 days of the order, and will be limited to a maximum of seven hours duration. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or confidential information.

160. The arbitrator may not modify the terms of this Agreement. In the event of any conflict between the rules and procedures of the AAA and the provisions of this Part 12, the provisions of this Part 12 will prevail.

161. Any court having jurisdiction may enter judgment on the arbitration award.

162. Unless otherwise agreed to by the parities, or required by applicable law, they, the arbitrator and the administrator will keep confidential all matters relating to the arbitration or the arbitration award.

163. Except as specifically provided in this Agreement, the parties must commence and pursue arbitration to resolve Disputes before commencing legal action and the Federal Arbitration Act will apply to all Disputes, including the breach of this Agreement and any alleged pre-contractual representations or conduct, violations of the Racketeering Influenced or Corrupt Organizations Act

(RICO), applicable federal or state franchise disclosure or franchise relationship laws, unfair trade practice laws, or similar laws. The business that is the subject of this Agreement is interstate commerce.

164. If a court of competent jurisdiction decides the requirement to arbitrate a Dispute is unenforceable because applicable law does not permit the type of claim involved to be resolved by arbitration, or because this Agreement limits a party's rights or remedies in a manner applicable law does not permit, or for any other reasons, then the entire arbitration clause is not void. Only the portions of the arbitration clause with respect to the claim or claims as are necessary to comply with applicable law will be invalid and considered severable, but the remainder will be enforced.

165. The only person or entity from which the Franchisee, the Bakery Principal and the Guarantors may seek damages or any remedy for any Dispute, including the breach of this Agreement, is the Franchisor, or its successor or assign. The Franchisee, the Bakery Principal and the Guarantors will not name the Franchisor's Affiliates, or the Franchisor's or its Affiliates' equity interest owners, directors, officers, employees or agents, in any arbitration or legal action.

166. If any of the Franchisor's Affiliates, or the Franchisor's or its Affiliates' equity interest owners, directors, officers, employees or agents is made a party to any arbitration or litigation by the Franchisee, the Bakery Principal or a Guarantor, the Franchisee, the Bakery Principal or the Guarantor will immediately correct its claim and will pay all Costs incurred or paid by the improperly named party in connection with the arbitration or litigation.

167. Any arbitration award will have a binding effect only on the actual Dispute arbitrated, and will not have any collateral effect on any other Dispute whatsoever, whether in litigation, arbitration or other dispute resolution proceeding. The Franchisee, the Bakery Principal and the Guarantors will arbitrate, or litigate each Dispute with the Franchisor on an individual basis. The Franchisee, the Bakery Principal and the Guarantors will not consolidate a Dispute in any arbitration or litigation action, with a claim by any other franchisee, or other individual or entity.

168. If the monetary component of any arbitration award against a party is greater than $500,000 or the arbitrator has decided an issue in a way that could reasonably have a financial impact on a party that is greater than $500,000 over the subsequent 5 year period, that party may appeal the award under the AAA's Optional Appellate Arbitration Rules, that the award will, at a minimum, be a reasonable award. The award will not be considered final until after the 30 day period for filing a notice of appeal under the Optional Appellate Arbitration Rules has lapsed without a filing. If a

notice of appeal is filed and after the appeal process, the decision adopted or rendered by the appeal tribunal may be entered in any court having jurisdiction.

Exceptions to the Dispute Notice, Negotiation, Mediation and Arbitration Requirements

169. The Franchisor may send default notices to the Franchisee and terminate this Agreement without first giving a Dispute Notice or pursuing negotiation, mediation or arbitration as required in this Part 12. The Franchisee may dispute the termination by filing a demand for arbitration within 30 days after the effective date of the termination, without first giving a Dispute Notice. The Franchisee may only demand a declaratory judgment in the arbitration to determine if the termination was invalid and only request an award reinstating this Agreement. The arbitrator may only rule on the validity of the termination and the award may only grant or deny the request for reinstatement. The Franchisee will waive the remedy of reinstatement if it does not file for arbitration within the time allowed. The Franchisor may file a demand for arbitration requesting validation of the termination of this Agreement and appropriate relief and may seek court confirmation of any arbitration award without first giving a Dispute Notice or pursuing negotiation or mediation under this Part 12.

170. If a party breaches:

(a) the provisions of this Agreement, or any ancillary agreement, relating to the Franchisor's Confidential Information or Intellectual Property;

(b) any non-compete, non-solicitation or non-disparagement provision in this Agreement or any ancillary agreement;

(c) any other provision of this Agreement, or any ancillary agreement, where urgent relief may reasonably be requested by a party because the other party's actions may cause irreparable harm;

(d) any provision requiring payment; or

(e) any provision of this Agreement or any ancillary agreement that by agreement or at law permits a party to evict another party from real estate premises,

then any other party may bring an action in any court having jurisdiction in connection with the breach, including to enforce the provisions of any security agreement, and may seek damages, injunctive relief, or both. If an action described in this Section 170 is brought by a party in any court having jurisdiction, the Dispute Notice, negotiation, mediation and arbitration provisions of this Part 12 will not apply.

Applicable Law and Jurisdiction

171. Except as may otherwise be provided in this Agreement, this Agreement will be construed and governed in accordance with the substantive laws of the State of New York, without reference to its or any other jurisdiction's conflicts of law. The parties agree that any franchise law, business opportunity law or consumer protection act of the State of New York, now in effect or adopted or amended after the date of this Agreement, will not apply to franchises located outside the State of New York by virtue of this choice of law, unless they otherwise fall within the specific scope of that law.

172. If a court of competent jurisdiction decides that the arbitration requirement in this Part 12 is unenforceable, in whole or in part, and after any and all final appeals the decision is upheld, the parties agree to litigate the Dispute, or part of the Dispute, in New York City, New York.

173. The parties submit to the jurisdiction of any tribunal or court in accordance with this Part 12, and waive any right to object to the location being inconvenient. This jurisdiction will be exclusive, except as otherwise specifically provided in this Agreement.

174. The parties waive any right to trial by jury, except where waiver is prohibited by applicable law.

Costs of Arbitration and Court Proceedings

175. Each party will be responsible for its own Costs in any arbitration or court proceeding, except:

   (a) if it is established that the Franchisee, the Bakery Principal or the Guarantors have breached any of the terms and conditions of this Agreement (or any ancillary agreement), then they will pay all Costs that may be incurred or paid by the Franchisor in enforcing its rights and remedies under this Agreement; and

   (b) as otherwise specifically provided in this Agreement.

PART 13
OBLIGATIONS OF GUARANTORS

176. The Guarantors named in Item 3 acknowledge that the Franchisor would not be prepared to enter into this Agreement with the Franchisee unless the Guarantors provide the guarantee set out in this Part 13.

177. In consideration of the Franchisee being granted the Franchise and for other consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Guarantors, the Guarantors each jointly and severally:

(a) guarantee to the Franchisor as principal debtor and not as surety that the Franchisee and the Bakery Principal will perform all of the obligations imposed on them under this Agreement, the Training Agreement, the Sublease or Business Lease, and any other agreement entered into between the Franchisor and the Franchisee with respect to the Franchise or the Bakery Business (collectively the "Franchise Agreements");

(b) agree that if the Franchisee or the Bakery Principal breach any obligations imposed on them under the Franchise Agreements they will:

(1) indemnify the Franchisor and its Affiliates and its Associates against all claims and for all losses and damages the Franchisor or its Affiliates or Associates sustain and all costs and expenses it or they incur as a result of any such breach; and

(2) pay to the Franchisor any money that the Franchisee or the Bakery Principal are obliged to pay the Franchisor under the Franchise Agreements which has not been paid;

(c) agree that their obligations under Section 178 are unconditional and irrevocable and will continue until the Franchisee and the Bakery Principal fulfil all obligations imposed on either of them under the Franchise Agreements whether before or after the expiry or termination of this Agreement;

(d) agree that any payment made by the Franchisee or the Bakery Principal to the Franchisor which is later avoided or reversed under any law shall be deemed not to have been made so that the Guarantors' obligation to the Franchisor will be restored to the position that would have existed if such payment was not made;

(e) agree that their claims against the Franchisee are subordinate and that they will not prove or claim against the Franchisee or in any winding up, liquidation or dissolution of the Franchisee until the Franchisor has received the full amount of all money owed by the Franchisee or the Bakery Principal to the Franchisor; and

(f) waive all benefits of division and discussion and all rights to notice and disclosure and any requirements for demand, presentment for payment, notice of non-payment, protest, notice of protest and notice of dishonour prior to this guarantee becoming enforceable.

178. The Franchisor's right to enforce Section 177 against each of the Guarantors shall not be affected in any way if:

(a) the Franchisor has any dealings with or grants any concession or indulgence to the Franchisee, the Bakery Principal, the Guarantors, or any of them;

(b) the Franchisor releases the Franchisee or the Bakery Principal wholly or in part from any obligation under the Franchise Agreements;

(c) the Franchisor releases any of the Guarantors, or any other guarantor, or any security, wholly or in part, from any obligation under the Franchise Agreements;

(d) any of the Franchise Agreements is varied, amended or extended in any way;

(e) there has been any assignment of any parties' rights and obligations under any of the Franchise Agreements;

(f) any of the Franchise Agreements or the Franchise expires or is terminated for any reason;

(g) any money the Franchisee or the Bakery Principal is required to pay, or any security provided under any of the Franchise Agreements becomes unenforceable;

(h) the Franchisor fails to or delays in suing the Franchisee or the Bakery Principal or any of the Guarantors, or any other guarantor, in respect of any breach of the provisions of any of the Franchise Agreements;

(i) any of the Guarantors dies, or becomes disabled, incapacitated, insolvent or bankrupt;

(j) if the Franchisee is a Business Entity, it shall declare itself or is declared bankrupt or become insolvent, or if a receiver or receiver-manager or other custodian of all or substantially all of the Franchisee's assets is appointed, or if the Franchisee or the Bakery Principal makes a general assignment for the benefit of its creditors or enters into a composition or arrangement with its creditors or files a proposal under any bankruptcy or similar legislation, or if the Franchisee commences any proceedings to wind up or liquidate or dissolve its business;

(k) if the Franchisee or the Bakery Principal is a natural person he or she dies, or becomes disabled, incapacitated, insolvent or bankrupt;

(l) any of the Guarantors named in this Agreement fails to execute this Agreement;

(m) this Agreement becomes void or unenforceable against any one or more of the Franchisee or the Bakery Principal or the Guarantors; or

(n) the Franchisor is in breach of or has not fulfilled any portion of any of the Franchise Agreements.

PART 14
MISCELLANEOUS SECTIONS

Impossibility of Performance

179. Neither party shall be liable to the other and neither party shall be deemed to be in default for any failure or delay to observe or perform any of the terms and conditions applicable to the party under this Agreement (other than the payment of money) caused or arising out of any act beyond the control of that party, including (but not limited to) fire, flood, lightning, storm and tempest, earthquake, strikes, lock-outs or other industrial disputes, acts of war, acts of terrorism, riots, civil commotion, explosion, malicious damage, government restriction, unavailability of equipment or product, disease and/or virus of epidemic or pandemic proportions or other causes whether the kind enumerated above or otherwise which are beyond the control of that party and where such failure or delay is caused by one of the events above then all times provided for in this Agreement shall be extended for a period commensurate with the period of the delay.

Time Shall Be of the Essence

180. Each of the covenants and obligations, including all payment obligations to be performed by the Franchisee under this Agreement, are essential terms of this Agreement and the time for performance shall be of the essence.

Legislation

181. The parties to this Agreement shall do such things as are necessary to comply with all relevant national, state and local legislation.

182. If in the reasonable opinion of the Franchisor any covenant or agreement does not comply with or is unenforceable or unlawful under any of the said legislation the Franchisor may require a reasonable amendment or amendments as is enforceable under such legislation.

183. The Franchisee acknowledges that the personal information of it or of the Bakery Principal and/or of a Guarantor supplied by it at the commencement of this Agreement and from time to time is supplied for the purposes of both parties fulfilling their respective obligations under this Agreement and the Franchisor, who is the intended recipient of the information supplied, is authorised to use such information as necessary within the terms and conditions of this Agreement.

Exclusion of Warranties

184. The Franchisee acknowledges that in the negotiations for and prior to having executed this Agreement the Franchisee has carefully read the provisions of this Agreement and has understood them, the Franchisee has been advised to obtain independent advice concerning its intention to enter into this Agreement and to base its decision on that advice and the Franchisee has recognised that the Bakery Business venture contemplated by this Agreement involves business risks and that its success will be affected by the Franchisee's ability as an independent business person.

185. Except where the contract requires otherwise, each of the obligations and restrictions contained in this Agreement shall be construed as independent of every other obligation and restriction and of every other provision of this Agreement and the existence of any claim or cause of action of the Franchisee against the Franchisor shall not constitute a defence to the enforcement by the Franchisor of the said obligations or restrictions or of any of them.

186. Having regard to the background and other provisions of this Agreement each of the restrictive covenants contained in this Agreement is reasonably necessary for the protection of the

Franchisor's Intellectual Property rights and of other franchisees of the Franchisor and they do not unreasonably interfere with the freedom or action of the Franchisee.

187. Except as provided otherwise by law, all warranties, descriptions, representations and conditions as to fitness or suitability for any purpose, tolerance to any condition, merchantability or otherwise whether of a like nature or not and whether expressed or implied by law, trade, custom or otherwise are expressly excluded. No agent or representative of the Franchisor is authorised to make any representations, statements, warranties, conditions or agreements not expressly specified in this Agreement, any ancillary agreement and the Franchise Disclosure Document and the Franchisor is not in any way bound by any such representations, statements, warranties, conditions or agreements.

188. The Franchisee acknowledges that the Franchisee has relied upon its own judgment in deciding to proceed with and enter into this Agreement, the Franchisee has made all necessary enquiries from third parties, including its own lawyer and accountant and the Franchisee acknowledges and confirms that the future success of the Bakery Business shall depend upon the business acumen and hard work of the Franchisee.

Franchise Advisory Council

189. The parties acknowledge that the Franchisor may in the future establish a Franchise Advisory Council ("FAC") being an association of franchisees but with representation from the Franchisor. If and when such FAC is established by the Franchisor to assist the Franchisee and all franchisees the Franchisor shall give at least two (2) months' notice, in writing, to the Franchisee and to all franchisees of the Franchisor's intention to establish the FAC and the composition and rules of such FAC will be determined solely by the Franchisor. The Franchisor shall not be obliged to accept or adopt any matters or recommendations put forward by the FAC and the Franchisee shall be bound by any matters or recommendations accepted by the Franchisor and the Franchisee shall contribute to such reasonable Costs as may be determined by the FAC from time to time.

Amendments to this Agreement

190. No amendments to this Agreement shall be of any force or effect unless such amendments are recorded, in writing, executed by all parties to this Agreement to be bound by the amendments.

No Assignment

191. This Agreement is personal to the Franchisee, the Bakery Principal and the Guarantors and except as otherwise expressly permitted herein neither this Agreement nor any of the rights or obligations hereunder may be assigned, sublicensed, transferred, conveyed or shared in any way with any other person without the prior written consent of the Franchisor, which it may withhold in its sole discretion. The Franchisor may assign this Agreement at any time.

Enurement

192. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, personal representatives, heirs, estates, successors and permitted assigns.

Franchisor's Rights Cumulative

193. All rights and remedies given to the Franchisor in this Agreement and by law and equity will be cumulative and not exclusive, and may be exercised or enforced by the Franchisor separately or together and in any order. No claim by the Franchisee that the Franchisor or its affiliated or associated company is in default under any provision hereof shall be a defence to a claim by the Franchisor or its affiliated or associated company for or in respect of any payments owing or obligations hereunder by the Franchisee.

Survivorship of Terms

194. The terms, provisions, covenants, conditions and obligations contained in this Agreement which, by their nature or terms, require their performance by the Franchisee, the Bakery Principal or the Guarantors after the expiration or other termination of this Agreement shall be and remain valid and enforceable notwithstanding such expiration or other termination of this Agreement for any reason whatsoever.

Set-off

195. The Franchisor may at any time apply any funds it is holding on behalf of the Franchisee or the Bakery Principal, or any money that the Franchisor may owe the Franchisee or the Bakery Principal, towards the satisfaction of any sum of money that the Franchisee or the Bakery Principal owes the Franchisor, as the Franchisor in its discretion may determine. The Franchisor may also treat any payments received from the Franchisee or the Bakery Principal as payments on account and may

apply the amounts received to the payment of any amounts payable by the Franchisee or the Bakery Principal to the Franchisor in any order of payment that the Franchisor in its discretion may determine, despite any contrary designations by the Franchisee or the Bakery Principal as to the application of any such payments.

196. The Franchisee and the Bakery Principal may not apply any funds either of them are holding on the Franchisor's behalf, or any money which either of them may owe the Franchisor, towards the satisfaction of any sum of money that the Franchisor may owe either of them.

Acknowledgments

197. The Franchisee, the Bakery Principal and the Guarantors acknowledge that each of them have conducted an independent investigation of the COBS Bread System and the proposed Bakery Business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of the Franchisee, and of the Bakery Principal as an independent business person.

198. The Franchisor expressly disclaims the making of, and the Franchisee, the Bakery Principal and the Guarantors each acknowledge that they have not received, any warranty or guarantee, express or implied, as to the potential or minimum sales volume, expenses, income, earnings, profits or success of the Bakery Business.

199. The Franchisee, the Bakery Principal and the Guarantors each acknowledge that the Franchisor is entitled to the benefit of all rebates and allowances it may obtain from any supplier of goods or services to franchisees.

200. The Franchisee, the Bakery Principal and the Guarantors each acknowledge that the Franchisor and its Affiliates or its Associates may directly or indirectly acquire, develop, operate, licence or franchise any form of business anywhere which is not specifically granted, franchised or licensed exclusively to the Franchisee under this Agreement, using the same, a similar or a different trademark, and whether or not competitive through a different channel of trade or under a different trademark with the Bakery Business.

201. The Franchisee, the Bakery Principal and each of the Guarantors agree to acknowledge, execute and deliver all such further documents, agreements, instruments or assurances and to perform all such further acts or deeds as may be reasonably required from time to time in order to carry out the terms of this Agreement in accordance with their true intent as expressed herein.

202. The Franchisee, the Bakery Principal and the Guarantors further acknowledge that:

(a) each of them have consulted a lawyer and received independent advice about their decision to purchase a COBS Bread franchise;

(b) their lawyer has explained to them the terms of this Agreement and all ancillary agreements;

(c) they have fully understood their lawyer's explanation;

(d) they have consulted an accountant and received independent advice about their decision to purchase a COBS Bread franchise;

(e) their accountant has advised them that commencing or purchasing any business, whether franchised or not, is risky and that many factors may cause the Bakery Business to operate at a far lower level than they anticipate;

(f) the Franchisor has not made any statements or representations to them that have induced them to enter into this Agreement apart from those recorded in Item 19 and in the Franchise Disclosure Document.

Entire Agreement

203. This Agreement excludes all conditions, warranties and terms implied by custom, general law or statute (except ones that by law may not be excluded) and is the entire agreement between the parties about its subject matter and in relation to that subject matter supersedes any prior understanding or agreement between the parties and condition, warranty, indemnity or representation imposed, given or made by a party. Nothing in this Agreement or any ancillary agreement, however, is tended to disclaim representations the Franchisor made in the Franchise Disclosure Document that the Franchisor furnished to the Franchisee.

Waiver

204. If the Franchisor fails to enforce any breach of this Agreement by the Franchisee, the Bakery Principal or the Guarantors, this does not mean that the Franchisor will in the future condone or be prevented from enforcing a similar or any other breach of this Agreement.

Notice Periods Required by Law

205. If any statute, law, by-law, ordinance or regulation promulgated by any competent authority with jurisdiction over this Agreement or any Court Order pertaining to this Agreement shall require a longer or different notice period than that specified herein, then the parties agree that the notice provisions hereof thus affected shall be deemed amended to conform with the requirements of such statute, law, by-law, ordinance, regulation or Court Order.

Severability of terms

206. The terms of this Agreement will be interpreted so as not to infringe any law or be in any way invalid, but if any term upon its true construction does infringe any law or is invalid, it shall be read down to such extent as is necessary so that it does not infringe any such law or is valid. If this is not possible, the offending term shall be severed from this Agreement without affecting the validity of the remaining terms of this Agreement.

Authority to date and complete

207. The Franchisee, the Bakery Principal and each of the Guarantors authorise the Franchisor to date this Agreement and complete any particulars in this Agreement, which are not presently completed.

Service of notices

208. Any notice that is required to be given under this Agreement must be in writing. Such notice may be:

(a) hand delivered – in which case the notice will be deemed to have been received once it has been delivered;

(b) transmitted by facsimile, email or other electronic means if the recipient has facilities for the receipt of documents by such means – in which case the notice will be deemed to have been given at 9.00 am local time for the recipient on the next business day following the date of transmission;

(c) mailed by registered post – in which case the notice will be deemed to have been given at 5.00 pm local time for the recipient on the second business day following the date of posting. No mailing will be made if at the date of mailing there is any labour dispute, strike or lockout affecting mail service in the geographic area in which the item is mailed or is intended to be received.

209. Notices to be given to the Franchisor by the Franchisee, the Bakery Principal or the Guarantors must be delivered, transmitted or posted to the Franchisor's principal office.

210. Notices to be given to the Franchisee by the Franchisor may be delivered, posted or transmitted to either the Franchisee's registered office, the Franchisee's last known address or, provided this Agreement has not expired or been terminated, the Bakery Premises.

211. Notices to be given to the Bakery Principal by the Franchisor may be delivered, posted or transmitted to either his or her last known address or, provided this Agreement has not expired or been terminated, the Bakery Premises.

212. Notices to be given to the Guarantors by the Franchisor may be delivered, posted or transmitted to the last known address of the Guarantors, respectively.

213. Without limiting Section 208 above, any notice to be given to the Franchisee, the Bakery Principal and/or the Guarantors by the Franchisor may also be transmitted by electronic mail, if the recipient has electronic mail facilities, and if a notice is transmitted by electronic mail the notice will be deemed to have been given at 9:00am on the next Business Day following the date of transmission.

Consent

214. The Franchisee, the Bakery Principal and the Guarantors consent to receiving, by way of electronic communication:

(a) any information required to be given by the Franchisor, in writing; and

(b) any documents, including the Franchisor's Disclosure Document, this Agreement and any related or ancillary agreements.

Additional Provisions

215. The Additional Provisions set out in Item 20:

(a) bind the parties;

(b) if inconsistent with the terms of this Agreement, shall override them; and

(c) depart from the terms of the Franchisor's standard Franchise Agreement and have been agreed by the Franchisor for the Bakery Business only and shall apply only whilst the Franchisee remains franchisee and are not assignable.

Interpretation

216. For the purposes of this Agreement, except as otherwise expressly provided herein:

(a) each reference in this Agreement to a designated Section or to a Schedule, is to the designated Section or Schedule to this Agreement unless otherwise specifically stated;

(b) the singular of any term includes the plural and vice versa and the use of any term is equally applicable to any gender and where applicable to a body corporate;

(c) the word "or" is not exclusive and the words "including" or "include(s)" or words of a similar nature are not limiting (whether or not non-limiting language such as "without limitation" or "but not limited to" or other words of similar import are used with reference thereto);

(d) all payments to the Franchisor and dollar amounts stated in this Agreement are in United States dollars;

(e) the headings to the Sections of this Agreement and any table of contents or index are inserted for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision of this Agreement;

(f) this Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument once all parties have executed and delivered their respective counterparts;

(g) any obligations imposed upon the Franchisee, the Bakery Principal and the Guarantor shall be joint and several obligations and if the Franchisee or the Guarantors consist of more than one person, this Agreement binds each person separately and any two or more of them jointly;

(h) a reference to:

(1) a person includes a body corporate;

(2) a party includes the party's executors, administrators, successors and permitted assigns;

(3) any statute, regulation or provision ("Law") includes:

(4) any amended or re-enacted version of the Law from time to time;

(5) any replacement Law;

(i) where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning;

(j) if an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day;

(k) any obligation, representation or warranty made in favour of more than one person is for the benefit of them separately and jointly; and

(l) a provision of this Agreement must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.

Anti-Terrorist Provisions

217. The Franchisee, the Bakery Principal and the Guarantors acknowledge that:

(a) the Franchisor's intends to comply with all anti-terrorism laws enacted by the U.S. Government;

(b) the Franchisor may not carry on business with anyone officially recognized by the U.S. Government as a suspected terrorist or anyone otherwise associated directly or indirectly with terrorist activities;

(c) they and everyone directly or indirectly associated with the Franchisee are not now, and have never been a suspected terrorist or otherwise associated directly or indirectly with terrorist activity, including the contribution of funds to a terrorist organization; and

(d) they and the Franchisee's equity interest owners have no intent or purpose to purchase the Bakery Business franchise to fund or participate in terrorist activities.

218. If, at any time during the term of this Agreement, it is determined that the Franchisee, the Bakery Principal, the Guarantors, the Franchisee's equity interest owners or anyone directly or indirectly associated with the Franchisee is a suspected terrorist or otherwise associated directly or indirectly with terrorist activities, this Agreement will be terminated immediately.

SIGNING PAGE

As evidence of their intent to be legally bound, the parties have caused this Franchise Agreement to be executed as of the Date as described in Item 4.

COBS USA INC. ______________________________ Authorized Signatory	)	
EXECUTED AND DELIVERED by **«FRANCHISEENAME»**, by its member, manager or officer as set out in Item 21: ______________________________ «DirectorName», Member ______________________________ «DirectorSecretaryName», Member	)	
EXECUTED AND DELIVERED by **«PRINCIPALNAME»**, as Bakery Principal, in the presence of: ______________________________ Witness Signature ______________________________ Witness Name ______________________________ Witness Address	)	______________________________ «PRINCIPALNAME»

EXECUTED AND DELIVERED by **«GUARANTOR1NAME»** as Guarantor, in the presence of:	)))))	
Witness Signature	)))	«GUARANTOR1NAME»
Witness Name	)))	
Witness Address	))	

EXECUTED AND DELIVERED by **«GUARANTOR2NAME»**, as Guarantor, in the presence of:	)))))	
Witness Signature	)))	«GUARANTOR2NAME»
Witness Name	)))	
Witness Address	)	

SCHEDULE A

Items

1. THE FRANCHISEE

Name: **«FRANCHISEENAME»**, a limited liability company incorporated or formed under the laws of the State of «Franchiseestate»/ a company incorporated or formed under the laws of the State of «Franchiseestate»

Address: «Franchiseeregaddress»

2. THE BAKERY PRINCIPAL

Name: **«PRINCIPALNAME»**

Address: «Principaladdress»

3. THE GUARANTORS

Name: **«GUARANTOR1NAME»**

Address: «Guarantor1address»«guarantor2c»

4. DATE OF FRANCHISE AGREEMENT

The day of 20

5. THE BAKERY PREMISES

Address: «Businesspremisesaddress»

☐ **Sublease** **or** ☐ **Business Lease**

6. BUSINESS ASSETS

As detailed in the relevant Business Lease and associated schedules

OR

The Assets detailed in Schedule B and any other Assets of the Bakery Business

7. TRADEMARKS

Refer to Schedule C

8. TERRITORY

The confines of the «Territory»

9. FRANCHISE PURCHASE FEE

«FranchiseFee» plus applicable taxes

10. STARTING DATE

The day of 20

11. EXPIRY DATE

The earlier of:

(a) the day prior to the date upon which the Bakery Premises Lease expires (after renewal or extension if renewed or extended, which the Franchisee acknowledges is entirely in the Franchisor's discretion) or is terminated or after any period of overholding; or

(b) «Term» from the Starting Date.

For the avoidance of doubt the term "renewal or extension" shall include any renewal or extension of the Bakery Premises Lease whether by virtue of the exercise of an option to renew the Bakery Premises Lease or by virtue of an agreed renewal or extension of the Bakery Premises Lease or by virtue of the grant of a new lease in respect of the Bakery Premises.

12. BAKERY SET-UP ESTIMATE
*(payable if Sections 57 to **Error! Reference source not found.** applies)*

«BakerySetUpEstimate» including applicable taxes

13. PROJECT MANAGEMENT FEE
*(payable if Sections 57 to **Error! Reference source not found.** applies)*

$7,500 plus applicable taxes

14. WEEKLY ROYALTY PAYMENT

7% of Net Sales, plus applicable taxes, to be paid by direct debit

15. OPENING PROMOTION AMOUNT AND WEEKLY ADVERTISING AND MARKETING CONTRIBUTION

Opening Promotion Amount

«OpeningPromotionAmount» plus applicable taxes

Weekly Advertising and Marketing Contribution

3% of Net Sales, plus applicable taxes, to be paid by direct debit

Important Note:

The amount of the Weekly Advertising and Marketing Contribution may be increased in accordance with a resolution passed by a simple majority of all of the Franchisor's franchisees. Such a resolution may be passed at a meeting or by postal ballot.

16. SECURITY RETENTION PERIOD

The period of 12 months from the date of expiry or termination of this Agreement

17. SECURITY RETENTION SUM

The sum of $10,000 plus applicable taxes

18. TRANSFER FEE

☐ Applies or ☐ Does not apply (Business Lease)

An amount equal to the following percentage of the gross purchase price for which the Franchisee sold the Bakery Business, plus applicable taxes.

Sale During	Percentage Fee
Year 1	10%
Year 2	9%
Year 3	8%
Year 4	7%
Year 5	6%
Year 6 and after	5%

19. REPRESENTATIONS

Date made	By whom & where made	Substance of representation

Date made	By whom & where made	Substance of representation

20. ADDITIONAL PROVISIONS

21. NAMES OF THE INDIVIDUAL(S), MEMBER(S), MANAGER(S), OR OFFICER(S) SIGNING ON BEHALF OF THE FRANCHISEE

Name and Capacity: **«DIRECTORNAME», MEMBER**

Name and Capacity: **«DIRECTORSECRETARYNAME», MEMBER**

22. NAMES OF EQUITY HOLDERS

Name	**Address**	**No. of Shares**
«Shareholder1name»	«Shareholder1address»	«Shareholder1Shares»
«Shareholder2name»	«Shareholder2address»	«Shareholder2Shares»

SCHEDULE B

Asset List

SCHEDULE C

TRADE MARK STATUS

Bakers Delight Holdings Limited

UNITED STATES OF AMERICA

COUNTRY	APPLN/REG NUMBER	TRADE MARK	CLASS	FILING DATE	DUE FOR RENEWAL	COMMENTS
USA	2956023	COBS BREAD		28/08/2003	24/05/2025	Registered
			Class 30: Bread; rolls and buns; cakes; [pies; biscuits and pastries]			
USA	2956022	COBS		28/08/2003	24/05/2025	Registered
			Class 30: Bread; rolls and buns; cakes; [pies; biscuits and pastries]			
USA	3330435	COBS BREAD		28/08/2003	6/11/2017	Registered
			Class 30: Bread; rolls and buns; cakes; pies; biscuits and pastries **Class 35:** Retail bakery services **Class 43:** Restaurant services; food preparation, namely, preparation of bakery products			

COUNTRY	APPLN/REG NUMBER	TRADE MARK	CLASS	FILING DATE	DUE FOR RENEWAL	COMMENTS
USA (MAP)	79/207225			20/02/2017		Pending
			Class 9: Computer software; point of sale computer software.			
USA (MAP)	79/212148	Bready		20/02/2017		Pending
			Class 9: Computer software; point of sale computer software			
USA (MAP)	79/212147	Breaducate		20/02/2017		Pending
			Class 9: Computer software; point of sale computer software Class 16: Printed matter; instructional and teaching material			
USA (MAP)	79/212148	Bready		20/02/2017		Pending
			Class 9: Computer software; point of sale computer software			

STATEMENTS RELATING TO ADVICE

The Franchisee, the Bakery Principal and the Guarantors (if any) are required to give statements to the Franchisor.

I/we acknowledge that I/we:		Write “Yes” or “No”
*	Have obtained and understand advice from an independent lawyer on the nature and effect of the franchise agreement, and all other documents the Franchisor has asked me/the Franchisee to sign (the “Documents”).	
*	Have obtained and understand advice from an independent accountant on the nature and effect of the Documents.	
*	Have obtained and understand advice from an independent business advisor on the nature and effect of the Documents.	
*	Understand the nature and effect of the Documents.	
*	Have signed the Documents freely and voluntarily without any pressure from any person.	
*	Understand that the business I/we will be operating is not guaranteed to succeed and may fail for many reasons.	

Signatures		**Date**
«FranchiseeName» as Franchisee		
«PrincipalName» as Bakery Principal		
«Guarantor1Name» as Guarantor		
«Guarantor2Name» as Guarantor		

Adviser Details	
Lawyer's name:	
Lawyer's address:	
Accountant's name:	
Accountant's address:	
Business Adviser's name:	
Business Adviser's address:	

EXHIBIT D

STATE AMENDMENTS TO THE FRANCHISE AGREEMENT

The COBS USA Inc. Franchise Agreement is amended for the following states as set forth below, but only to the extent that the amendments are then valid requirements of an applicable and enforceable state law, and only for so long as such state law remains in effect. A state law is applicable only if the jurisdiction requirements of the state law applicable to the provision are met independent of the state law amendments set forth below.

CALIFORNIA

The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq (collectively the "Acts"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Acts (such as those contained in Sections 4(2)(g), 6(4) and 15(2)(c) of the Franchise Agreement).

c. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.

d. If the Agreement contains a covenant not to compete which extend beyond the expiration or termination of the Agreement, the covenant may be unenforceable under California law.

e. The Agreement requires binding arbitration. The arbitration will occur in New York City, New York, with each party bearing its own costs and the costs of arbitration and administration being apportioned by the arbitrator. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Agreement restricting venue to a forum outside the State of California.

f. If the Agreement requires that it be governed by a state's law, other than the State of California, such requirement may be unenforceable.

ILLINOIS

The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 - 705/44 (1994) (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Paragraphs 705/19 and 705/20 of the Act provide rights to You concerning non-renewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with these paragraphs of the Act, the Act will control.

b. Any release of claims or acknowledgements of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act (such as those in Sections 4(2)(g), 6(4) and 15(2)(c) of the Franchise Agreement).

c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Act.

d. If this Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with Illinois law, Illinois law will control, without regard to conflicts of law.

e. Paragraph 705/5(2) of the Act requires that we provide you a copy of our Disclosure document at least 14 days prior to your signing any binding franchise agreement or other agreement or paying any consideration. If this agreement contains a provisions that is inconsistent with this Paragraph of the Act, the Act will control.

f. Nothing in this Agreement waives any rights the franchisee may have under Section 41 of the Act or other Illinois laws.

INDIANA

The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. " 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Inc. Code Ann. ' 23-2-2.7 (1985) (collectively the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Indiana Deceptive Franchise Practices Act provides rights to You concerning non-renewal and termination of this Agreement. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, and such acknowledgments shall be void with respect to claims under the Acts.

c. If the Agreement contains covenants not to compete upon expiration or termination of the Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.

d. The Indiana Deceptive Franchises Practices Act provides that substantial modification of the Agreement by COBS USA Inc. requires written consent of the Franchisee. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

f. If the Agreement requires litigation to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act ' 23-2-2.7(10).

g. If the Agreement requires that it be governed by a state's law, other than the State of Indiana, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control.

MARYLAND

The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §14-201 ET SEQ. (2010 Repl. Vol. and Supp. 2011) and the rules and regulations promulgated thereunder (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release will exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

b. Any limitation of claims provisions in the Agreement will not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim under the Act. Claims under the Act must be brought within 3 years after the grant of the franchise to the Franchisee.

c. If the Agreement requires litigation to be conducted in a forum other than the State of Maryland, the requirement will not be interpreted to limit any rights Franchisee may have under the Act to bring suit in the State of Maryland.

MINNESOTA

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Miss. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and Disclosure document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that COBS USA Inc. indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Franchisee's use of the Marks infringes trademark rights of the third party. Under Section 11(4) of the Agreement, COBS USA Inc. does indemnify against the consequences of Franchisee's use of the Marks but only to a maximum amount equal to the initial franchise fee paid by Franchisee. If this indemnification provision is inconsistent with Minnesota Department of Commerce requirements, it shall be superceded by these requirements and shall have no force or effect.

b. The Franchise Act, Sec. 80C.14, Subd. 4. requires, except in certain specified cases, that a franchisee be given written notice of a franchisor's intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is consistent with the Franchise Act, the provisions of the Agreement shall be superceded by the Franchise Act's requirements and shall have no force or effect.

c. The Franchise Act, Sec. 80C.14, Subd. 3. requires, except in certain specified cases that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superceded by the Franchise Act's requirements and shall have no force or effect.

d. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.

e, If the Agreement requires it be governed by a state's law, other than the State of Minnesota or provides for arbitration or mediation, these provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. The Franchise Act, Sec. 80C17, Subd.5., states that no civil action may be commenced for violation of the Franchise Act more than 3 years after the cause of action accrues. Section 21(26)(f) of the Agreement also contains certain time limits on commencing actions under the Agreement. To the extent that these limitations are inconsistent with those under the Franchise Act, these provisions of the Agreement are superceded by the Franchise Act's requirements and shall have no force or effect.

The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name, as required under Minn. Stat. §80C.12 Subd. 1(G). Minnesota considers it unfair to not protect the franchisee's right to use the trademarks.

NEW YORK

The New York Department of Law required that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989) (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act or any regulation, rule or order under the Act, such release shall exclude claims arising under the Act or any regulation, rule or order under the Act, and such acknowledgement shall be void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the Act be satisfied.

NORTH DAKOTA

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51 19, Sections 51 19 01 through 51 19 17 (1993) (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Covenants not to compete during the terms of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota law, if the Agreement contains a covenant not to compete which is inconsistent with North Dakota law, the covenant may be unenforceable.

b. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the Act. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the Act.

d. If the Agreement requires payment of liquidated damages or a termination penalty, the requirement may be unenforceable under the Act.

e. If the Agreement requires that it be governed by a state's law, other than the State of North Dakota, North Dakota law will control.

f. If the Agreement requires the Franchisee to waive the Franchisee's right to a jury trial, the requirement may be unenforceable under North Dakota law.

g. If the Agreement requires the Franchisee to waive the Franchisee's right to make a claim for exemplary or punitive damages, the requirement may be unenforceable under North Dakota law.

h. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

i. If the Agreement requires the Franchisee to consent to a limitation of claims that is shorter than the statute of limitations under North Dakota law, the statute of limitations under North Dakota law applies.

RHODE ISLAND

The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 - 19-28.1-34 (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement may be void under the Act.

b. If the Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with the Act it may be void under the Act.

c. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

WASHINGTON

The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment protection Act, WA Rev. Code §§19.100.010 to

19.100.940 (1991) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Act provides rights to You concerning non-renewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.

c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington, must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

d. If the Agreement requires that it be governed by a state’s law, other than the State of Washington, and there is a conflict between the law and the Act, the Act will control.

WISCONSIN

The Securities Commissioner of the State of Wisconsin requires that certain provisions contained in franchise documents be amended to be consistent with Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a,. The Act, among other things, grants You the right, in most circumstances, to 90 days’ prior written notice of non renewal and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Act, the provisions of the Agreement shall be superceded by the Act’s requirements and shall have no force or effect.

b. If the Agreement requires that it be governed by a state’s law, other than the State of Wisconsin, to the extent that any provisions of the Agreement conflicts with the Act such provision shall be superceded by the Act’s requirements.

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law amendments, if any, supercede any inconsistent portion of the Franchise Agreement dated the _____ day of ______________, 20__, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this ______ day of ______________, 20___.

FRANCHISOR:	**FRANCHISEE:**
COBS USA Inc.	_______________________________________
By: ______________________________	By: ______________________________
Title: ____________________________	Title: ____________________________

EXHIBIT E

SUBLEASE

Sublease

DATE OF SUBLEASE:	
SUBTENANT:	**«FRANCHISEENAME»**
ADDRESS OF PREMISES:	«Businesspremisesaddress»
BAKERY NO.	«BakeryNumber»

FRANCHISE SUBLEASE

By a Head Lease dated as described in Item 5 of Schedule A (herein called the “Head Lease”), a copy of which is attached hereto as Schedule B or has been delivered to the Subtenant (the receipt of which is hereby acknowledged), the Landlord as described in Item 6 of Schedule A (the “Head Landlord”) leased to the Sublandlord the premises located as described in Item 4 of Schedule A (herein called the “Bakery Premises” or the “Premises”) for a term as described in Item 7 of Schedule A commencing on or about the Commencement Date described in Item 8 of Schedule A.

The Sublandlord has agreed with the Subtenant to grant a Sublease of the Bakery Premises to the Subtenant on the terms and conditions hereinafter stated.

The Sublandlord has entered into a Franchise Agreement (the “Franchise Agreement”) with the Subtenant, the Bakery Principal and the Guarantor(s) dated as described in Item 9 of Schedule A, pursuant to which the Subtenant will carry on the business of a COBS Bread Bakery.

CONTENTS

SUBLEASE

THIS SUBLEASE is made as of the date described in Item 10 of Schedule A.

PARTIES

SUBLANDLORD:

COBS USA Inc., a Delaware corporation having an office at Suite 210 1100 Melville Street, Vancouver, British Columbia, V6E 4A6. Wherever relevant, "the Sublandlord" includes the Sublandlord's officers, employees and any person the Sublandlord authorizes.

SUBTENANT:

The party described in Item 1 of Schedule A. Wherever relevant, "the Subtenant" includes the Subtenant's officers, employees, agents and any person the Subtenant allows on the Bakery Premises (except members of the public).

BAKERY PRINCIPAL:

The party described in Item 2 of Schedule A.

GUARANTOR(S):

The party or parties described in Item 3 of Schedule A.

PART 1
CONSIDERATION

1. In consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Subtenant to be paid, observed and performed, the Sublandlord does hereby sublease unto the Subtenant the Bakery Premises, for the purposes of operating a COBS Bread Bakery from the Bakery Premises under franchise from the Sublandlord. This Sublease shall commence on the Commencement Date as set out in Item 11 of Schedule A and shall be for a term (the "Term") expiring on the earlier of:

   (a) midnight on the Expiry Date as set out in Item 12 of Schedule A; or

   (b) the early termination or surrender of the Franchise Agreement for any reason; or

   (c) one day prior to the expiry of the term of the Head Lease or if the Head Lease is renewed or extended for a further term or a new lease granted for a new term one day prior to the expiry of the further term or the new term (as the case may be); or

(d) the early termination or surrender of the Head Lease;

unless sooner terminated as provided in this Sublease.

PART 2 COVENANTS BY THE SUBTENANT

2. The Subtenant hereby covenants as follows:

(a) To pay rent and all other charges and expenses for the use and occupancy of the Bakery Premises to the Sublandlord on the same dates and in the same manner and amounts that would be payable by the Subtenant if the Subtenant were the tenant named in the Head Lease, without any withholding, deduction, set-off or abatement whatsoever. Until the Sublandlord otherwise directs, all such rental payments shall be made on behalf of the Sublandlord directly to the Head Landlord in the form and in the manner and amounts and at the times provided in the Head Lease, in full satisfaction of the Sublandlord's obligation to pay rent and all other payments as required under the Head Lease;

(b) To perform on behalf of the Sublandlord all of the covenants, agreements and obligations (except the covenant to pay rent) of the Sublandlord as the tenant under the Head Lease as if the Subtenant had been named as the tenant in such Head Lease;

(c) To pay to the Sublandlord as and when due and as additional rent hereunder all fees, royalties, advertising and marketing contributions and other amounts payable under the Franchise Agreement;

(d) To perform all of the other covenants, agreements and obligations of the Subtenant as the Franchisee under the Franchise Agreement;

(e) To indemnify and hold the Sublandlord and its affiliated and associated companies and their respective officers, directors, employees, agents, successors and assigns harmless from and against any and all claims, demands, actions, causes of action, liabilities, losses, damages, costs, charges and expenses (including reasonable attorneys' fees and costs of any action) of whatsoever kind or nature which may be asserted or imposed against the Sublandlord or its affiliated or associated companies by the Head Landlord, including but not limited to, all claims, demands, actions, causes of action, liabilities, losses, damages, costs, charges and expenses (including reasonable legal fees and costs of any action) of whatsoever kind or nature which may be asserted or imposed against the Sublandlord or its affiliated or associated companies by the Head Landlord:

(i) under or in connection with or in respect of the Head Lease; or

(ii) in connection with or in respect of the Bakery Premises; or

(iii) in connection with the operation of the Subtenant's business from the Bakery Premises; or

(iv) in connection with or in respect of any act or omission by the Subtenant, its officers, servants, agents and any other person permitted by the Subtenant to be upon the Bakery Premises including, but without limitation, in connection with or in respect of any death or injury to persons or damage to or destruction of property from any cause whatsoever;

(f) Not to assign this Sublease or further sublet or otherwise relinquish possession of the Bakery Premises or change the use or appearance of the Bakery Premises without the prior consent in writing of the Sublandlord, which consent may be arbitrarily withheld, and no such assignment or subletting with consent shall operate to relieve the Subtenant, the Bakery Principal or the Guarantor(s) from any of its or their liabilities hereunder or under the Franchise Agreement;

(g) To use the Bakery Premises only for the purposes outlined herein and in the Franchise Agreement and as allowed under the Head Lease;

(h) Not to mortgage, charge, pledge, hypothecate or otherwise encumber or allow any lien against its interest in this Sublease, the Bakery Premises or the machinery, equipment, removable fixtures, signs, furnishings, supplies, inventory or other business assets therein without the prior written consent of the Sublandlord, which consent may be arbitrarily withheld;

(i) All arrears of rent and any other monies payable hereunder to the Sublandlord or at its direction shall bear interest at the rate of 18% per annum or the highest rate permissible by law, calculated at such rate, and paid monthly, until paid;

(j) To the extent not otherwise provided for under the Head Lease or the Franchise Agreement, to procure and maintain at the Subtenant's sole cost and expense during the term of this Sublease business interruption insurance and rental insurance in such amounts as will cover the financial obligations of the Subtenant hereunder and under the Franchise

Agreement, and to name the Sublandlord as an additional named insured under all such policies of insurance; and

(k) Not to, without the Sublandlord's prior written consent, which consent may be arbitrarily withheld, remove or permit to be removed from the Bakery Premises any of the business assets used in the Subtenant's business except only for the purpose of necessary repairs or in the ordinary course of conducting the Subtenant's business and for the purpose thereof.

PART 3
COVENANTS BY THE SUBLANDLORD

3. The Sublandlord hereby covenants that:

(a) If the Sublandlord directs, pursuant to Section 2(a) hereof, that the Subtenant pay the rent hereby reserved otherwise than directly to the Head Landlord, then the Sublandlord shall pay all rent and other payments as required under the Head Lease which may become payable after the date of such direction;

(b) At the request in writing of the Subtenant, and at the expense of the Subtenant, and upon receiving security sufficient in the opinion of the Sublandlord for the costs and expenses incurred by the Sublandlord in so doing, the Sublandlord shall take such action within its power necessary to enforce all or any of its rights as the tenant under the Head Lease;

(c) The Sublandlord shall not without the consent in writing of the Subtenant having first been obtained, such consent not to be unreasonably or arbitrarily withheld or delayed, agree to any material or monetary amendments of the Head Lease; and

(d) The Head Lease will be in good standing as of the day the Subtenant takes possession of the Bakery Premises, and the Sublandlord hereby agrees to indemnify and save harmless the Subtenant, the Bakery Principal and the Guarantor(s) from any and all breaches of the Head Lease which may have occurred up to and including the day before the Subtenant takes possession of the Bakery Premises.

(i)

PART 4
BAKERY PRINCIPAL'S COVENANT

4. The Bakery Principal agrees to diligently and faithfully perform, and to cause the Subtenant to diligently and faithfully perform, all of the covenants and agreements of the Subtenant contained in this Sublease. All such obligations of the Bakery Principal and the Subtenant shall be joint and several obligations.

PART 5
AGREEMENTS

5.

(a) It is hereby agreed between the Sublandlord and the Subtenant that, subject to the terms of the Franchise Agreement:

(i) except for the right of the Sublandlord to renew, extend, terminate or surrender the Head Lease, and except for the right of the Sublandlord to have possession of the Bakery Premises exclusive of the Subtenant for the last day of the term of the Head Lease, the Subtenant shall have the same rights and privileges against the Sublandlord as the Sublandlord has against the Head Landlord;

(ii) the Subtenant shall be under the same duties, obligations and liabilities to the Sublandlord as the Sublandlord has to the Head Landlord;

(iii) the Sublandlord shall have the same rights and privileges against the Subtenant and be under the same duties, obligations and liabilities to the Subtenant as the Head Landlord has against or to the Sublandlord; and

(iv) the Sublandlord shall have the same rights to terminate this Sublease as the Franchisor under the Franchise Agreement has against the Subtenant to terminate the Franchise Agreement and as the Head Landlord has against the Sublandlord under the Head Lease; and in particular, but without limiting the generality of the foregoing, a default by the Subtenant under the Franchise Agreement or under any other agreement between the Subtenant and the Sublandlord shall also constitute a default of this Sublease as having been breached by the Subtenant, with the result that the Sublandlord shall thereupon be entitled to pursue its rights and remedies under this Sublease as against the Subtenant, the Bakery Principal and the Guarantor(s) for the breach hereof; and further, but without limiting the generality of the foregoing, the provisions of the Franchise Agreement which relate to breaches and defaults thereunder by the Franchisee are hereby incorporated by this reference into this Sublease as additional breach, default and termination provisions hereof, mutatis mutandis;

provided that the Sublandlord shall not be under any greater liability to the Subtenant for any damages sustained by the Subtenant arising out of or in connection with a breach by the Head Landlord of its duties, obligations and liabilities to the Sublandlord than the actual amount of damages recovered by the Sublandlord from the Head Landlord and, except as provided in Section 3(b) hereof, the Sublandlord shall not be obligated to enforce its rights under the Head Lease nor shall it be liable to the Subtenant for failure so to do; and further provided that the Sublandlord shall not be liable to the Subtenant for any lawful action or omission by the Head Landlord, except such action or omission by the Head Landlord taken or not taken as a result of a default by the Sublandlord in the performance of its duties, obligations and liabilities under the Head Lease, which default did not arise by reason of or was not occasioned by a default by the Subtenant in the performance of its duties, obligations and liabilities to the Sublandlord hereunder or otherwise.

(b) Without limiting the generality of Section 5 hereof, the Subtenant shall be under the same obligations to the Sublandlord with respect to the condition and surrender of the Bakery Premises upon the expiration or termination by effluxion of time or otherwise of this Sublease as the Sublandlord has to the Head Landlord upon the expiration or termination of the Head Lease.

(c) Without limiting the generality of Sections 3(a) and 3(b) hereof, the Subtenant hereby acknowledges, confirms and agrees that it is the intention of the parties that this Sublease shall be a completely carefree net Sublease for the Sublandlord, and that, subject to the provisions of the Head Lease, the Sublandlord shall not be responsible during the term of this Sublease or any renewal or extension hereof for any losses, damages, liabilities, costs, charges, expenses, assessments, impositions or outlays of any nature or kind whatsoever arising from or relating to the Bakery Premises or the contents or operations thereof, and the Subtenant shall duly and timely pay all such items and hereby covenants with the Sublandlord so to do.

(d) If upon the expiration of the term of this Sublease the Subtenant, with the consent of the Sublandlord, remains in possession or occupation of the Bakery Premises, then it is hereby understood and agreed between the Sublandlord and the Subtenant that in the absence of an express written agreement to the contrary being entered into between the parties, no new subtenancy is thereby created, and the Subtenant shall remain in such possession or occupation as a subtenant from month to month only, subject to 1 month's written notice to vacate and surrender possession of the Bakery Premises to the Sublandlord, but otherwise subject to the other covenants, agreements and obligations of the Subtenant contained herein.

(e) From and after the Commencement Date, all the terms, covenants and conditions in the Head Lease, to the extent applicable to the Bakery Premises, shall be, except as otherwise expressly provided in this Sublease, applicable to this Sublease with the same force and effect as if Sublandlord was Head Landlord, Subtenant was Sublandlord and the Bakery Premises hereunder was the Bakery Premises under the Head Lease.

(f) Notwithstanding anything contained herein to the contrary, in the event the Head Lease is terminated for any reason other than as a result of Subtenant's willful acts or omissions, upon Subtenant's request the Sublandlord shall use commercially reasonable efforts to assist Subtenant in entering into a direct lease with Landlord or maintaining this Sublease, as the case may be.

PART 6
ADDITIONAL ACKNOWLEDGEMENTS

6. It is hereby acknowledged and agreed upon by the parties hereto that:

(a) The Sublandlord has entered into the Head Lease and granted this Sublease to the Subtenant at the Subtenant's request and at the request of the Bakery Principal and the Guarantor(s) strictly as an accommodation to the Subtenant to enable the Subtenant to acquire the use of the Bakery Premises for the purposes detailed herein, which would not otherwise be available to the Subtenant, and it is therefore hereby agreed between the Sublandlord and the Subtenant and the Bakery Principal and the Guarantor(s) that neither the Guarantor(s) nor the Bakery Principal nor the Subtenant shall be entitled to assert, by way of counterclaim (except a mandatory counterclaim that will be waived if not asserted), set-off or defense in any action by the Sublandlord to enforce its rights hereunder, any breach by the Sublandlord of any obligation of the Sublandlord to the Subtenant or the Bakery Principal or the Guarantor(s) arising out of or in connection with the Franchise

Agreement or the dealings between the Sublandlord and the Subtenant and/or the Bakery Principal and/or the Guarantor(s) in connection with the franchise granted thereunder;

(b) In the event that the Subtenant shall fail to pay any amounts required to be paid hereunder beyond any applicable grace, notice and cure periods set forth in the Head Lease or shall otherwise default in the performance of any obligations hereunder beyond any applicable grace, notice and cure periods set forth in the Head Lease, then the Sublandlord shall have the right, but not the obligation, to pay any such amounts or perform any such obligations on the Subtenant's behalf and for its account and the Subtenant shall thereupon be liable to reimburse the Sublandlord upon written demand for all such payments and all costs and expenses incurred by the Sublandlord in so doing, all of which shall constitute additional rent due and payable by the Subtenant to the Sublandlord hereunder, and all remedies available to the Sublandlord hereunder or at law or equity in respect of the recovery of unpaid rent in arrears shall be equally available in respect of such additional rent; and

(c) Except as otherwise provided herein, any prepayment of rent or other deposit required by the Head Lease shall be paid by the Subtenant and held without interest as security for the due performance by the Subtenant of all its obligations hereunder. Upon expiration or termination of this Sublease or any renewal or extension of it and upon fulfilment of all its provisions by the Subtenant, the Sublandlord shall return to the Subtenant any balance of such security then remaining and not applied to final rents or other amounts owing hereunder.

7. The Subtenant and the Bakery Principal acknowledge that:

(a) they have received and read a copy of the Head Lease;

(b) the Sublandlord has made no representations or statements or promises to the Subtenant or the Bakery Principal about:

(i) the suitability of the Bakery Premises; and

(ii) the likelihood of the Bakery Business being successfully conducted from the Bakery Premises;

(c) it is solely the responsibility of the subtenant and the Bakery Principal to conduct their own due diligence in respect of the Bakery Premises before entering into this Sublease; and

(d) the Subtenant and Bakery Principal should seek their own legal advice in respect of negotiations in respect of the Head Lease, this Sublease and any other agreements the Subtenant may be asked to sign in relation to the Bakery Premises.

PART 7
TERMINATION

8.

(a) In addition to the rights to terminate arising under Section 5 hereof in favor of the Sublandlord, the Sublandlord, without prejudice to any other rights it may have, shall have the right to terminate this Sublease forthwith upon written notice to the Subtenant:

(i) Upon termination of the Franchise Agreement or upon the Franchisor under the Franchise Agreement becoming entitled to terminate the Franchise Agreement in accordance with its terms;

(ii) If the Subtenant fails to pay when due any monies payable to or at the direction of the Sublandlord under this Sublease and such failure has continued for a period of 5 days after demand therefor has been made by the Sublandlord or the Head Landlord;

(iii) If the Subtenant removes or permits the removal from the Bakery Premises or parts with possession of or purports or attempts to sell, assign, transfer or sublet any machinery, equipment, removable fixtures, signs, furnishings, supplies, inventory or other business assets of the Subtenant other than in the ordinary course of the Subtenant's business and for the purpose thereof without the Sublandlord's prior written consent unless expressly permitted under this Sublease;

(iv) If the Subtenant fails to perform any of the obligations conferred on the Subtenant under Section 2(b) and thereby causes an event of default to occur under the terms of the Head Lease;

(v) If the Subtenant purports or attempts to assign or sublet the Bakery Premises or to change the use or appearance of the Bakery Premises without the prior consent in writing of the Sublandlord, or if an assignment of this Sublease or any of the business assets of the Subtenant shall occur by operation of law, or by reason of judicial process except as otherwise permitted by the Head Lease;

(vi) Save and except for Sections 2(a) and 2(c), if the Subtenant violates any other term or condition of this Sublease and fails to cure the violation within 10 days after written notice from the Sublandlord to cure the violation; and

(vii) If the Head Lease is terminated or expires for any reason whatsoever other than by reason of Sublandlord's or the Sublandlord Parties' negligence;

and in such event or upon expiry of this Sublease the Subtenant shall forthwith peaceably vacate and surrender the Bakery Premises to the Sublandlord. Without prejudice to any other rights which the Sublandlord may have, in the event of a termination or expiry as in this Section or Section 5 provided, the Subtenant shall remain liable to the Sublandlord for all rent payable hereunder up to the date upon which it vacates and surrenders the Bakery Premises and for the breach of any and all of its covenants, agreements and obligations hereunder occurring up to the date of such vacation and surrender, and the Subtenant shall further be liable to the Sublandlord for 3 additional months' rent next payable hereunder subsequent to the effective date of termination of this Sublease. In the event of a termination or expiry of this Sublease as aforesaid, if the Subtenant does not forthwith vacate and surrender the Bakery Premises to the Sublandlord as required, then the Sublandlord may re-enter the Bakery Premises and take possession thereof, and change the locks and security system access code, using such reasonable force as is necessary in the circumstances, without service of notice or resort to legal process and without the Sublandlord being guilty of trespass or becoming liable in any way for such entry or for any loss or damage which may be occasioned thereby.

(b) The Subtenant hereby expressly acknowledges and agrees that upon the termination of this Sublease by the Sublandlord as provided for herein, the Subtenant shall have no right to resume possession or occupation of the Bakery Premises even if the breach, default or violation which gave rise to the termination is subsequently cured, and the Subtenant hereby waives and relinquishes any right, statutory or otherwise, to claim relief against the forfeiture of this Sublease upon such termination.

PART 8
NOTICE

9.

(a) Any notice that is required to be given under this Sublease must be in writing. Such notice may be:

(i) hand delivered – in which case the notice will be deemed to have been received once it has been delivered;

(ii) transmitted by facsimile, email or other electronic means if the recipient has facilities for the receipt of documents by such means – in which case the notice will be deemed to have been given at 9:00 am local time for the recipient on the next business day following the date of transmission; or

(iii) mailed by prepaid post – in which case the notice will be deemed to have been given at 5:00 pm local time for the recipient on the 2nd business day following the date of mailing. No mailing shall be made if at the date of mailing there is any labor dispute, strike or lockout affecting mail service in the geographic area in which the item is mailed or is intended to be received; or

(iv) sent by recognized overnight courier in which case the notice will be deemed to have been given 1 business day after delivery to the overnight courier.

(b) Notices to be given to the Sublandlord by the Subtenant, the Bakery Principal or the Guarantor(s) must be delivered, transmitted or mailed to the Sublandlord's principal office.

(c) Notices to be given to the Subtenant by the Sublandlord may be delivered, mailed or transmitted to either the Subtenant's principal office, the Subtenant's last known address or, provided this Sublease has not expired or been terminated, the Bakery Premises.

(d) Notices to be given to the Bakery Principal by the Sublandlord may be delivered, mailed or transmitted to either his or her last known address or, provided this Sublease has not expired or been terminated, the Bakery Premises.

(e) Notices to be given to the Guarantor(s) by the Sublandlord may be delivered, mailed or transmitted to the last known address of the Guarantor(s), respectively.

PART 9
GUARANTEE

10.

(a) In consideration of the sum of $10.00 now paid by the Sublandlord to each of the Guarantor(s) and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Guarantor(s), and in consideration of the granting of this Sublease by the Sublandlord to the Subtenant at the request of each of the Guarantor(s), each of the Guarantor(s) hereby covenants, unconditionally and irrevocably, as principal debtor and not as surety, and as a continuing guarantee, with the Sublandlord that the Subtenant shall duly and timely perform and observe and continue to perform and observe each and every term, covenant, proviso, condition and agreement in this Sublease on the part of the Subtenant to be performed and observed, including without limitation the payment of rent and all other amounts agreed to be paid or payable under this Sublease on the days and at the times and in the manner herein specified, and that if any default be made by the Subtenant, whether in payment of rent or other amounts from time to time falling due hereunder as and when they become due and payable, or in the performance or observance of any of the terms, covenants, provisos, conditions or agreements which under the terms of this Sublease are to be performed or observed by the Subtenant, each of the Guarantor(s) shall forthwith pay and continue to pay to the Sublandlord on demand such rent and other sums in respect of which such default shall have occurred and all damages that may arise in consequence of the non-observance or non-performance of any of the said terms, covenants, provisos, conditions or agreements, and each of the Guarantor(s) shall forthwith duly and timely perform and observe and continue to perform and observe each and every one of the said terms, covenants, provisos, conditions and agreements. The obligations of the Guarantor(s) hereunder, to the fullest extent permitted by applicable law, shall not be discharged or impaired or otherwise effected by, and each Guarantor hereby irrevocably waives any defenses to enforcement it may have (now or in the future) by reason of:

(i) the illegality or lack of validity or enforceability of this Sublease or any obligation thereunder;

(ii) any present or future law, regulation or order of any government or any agency thereof, or any judgment or order of any court purporting to reduce, amend, restructure or otherwise affect the obligations of the Subtenant hereunder; or

(iii) any defense, set-off or counterclaim (other than a mandatory counterclaim that will be waived if not asserted) that may at any time be available to, or be asserted by, the Guarantor(s) under the Sublease.

(b) Each of the Guarantor(s) hereby covenants, unconditionally and irrevocably, as principal debtor and not as surety, and as a continuing guarantee, with the Sublandlord that each of the Guarantor(s) is and shall be jointly and severally bound with the Subtenant for the continuing fulfilment of all obligations of the Subtenant under this Sublease. In the enforcement of its rights hereunder, the Sublandlord may proceed against each of the Guarantor(s) as if each of the Guarantor(s) was named as the Subtenant hereunder.

(c) Each of the Guarantor(s) hereby unconditionally and irrevocably waives any right to require the Sublandlord to proceed against the Subtenant, the Bakery Principal or any other Guarantor hereunder or to proceed against or to exhaust any security held from the Subtenant or any Guarantor or to pursue any other remedy whatsoever which may be available to the Sublandlord before proceeding against each of the Guarantor(s).

(d) Each of the Guarantor(s) hereby postpones and subordinates any and all claims which each of the Guarantor(s) now has or during the currency of this continuing Guarantee may have against the Subtenant to the debts, liabilities, covenants and obligations being guaranteed hereby.

(e) No neglect or forbearance of the Sublandlord in endeavoring to obtain payment of the rent reserved herein, or other payments required to be made under the provisions of this Sublease as and when they become due and payable, or delay of the Sublandlord in taking steps to enforce performance or observance of the several terms, covenants, provisos, conditions or agreements contained in this Sublease to be performed or observed by the Subtenant, and no extension or extensions of time, waiver or waivers or other indulgence or indulgences which may be given by the Sublandlord from time to time to the Subtenant or the Bakery Principal or any Guarantor, and no other dealings as between the Sublandlord and the Subtenant or the Bakery Principal or any Guarantor, and no release, substitution, impairment, realization or other dealing with any security held by the Sublandlord in connection with this Sublease shall release, discharge or in any way reduce the continuing obligations of each of the Guarantor(s) under the Guarantee contained in this Section 10, and any such dealings as between the Sublandlord and the Subtenant or the Bakery Principal or any other Guarantor hereunder may be made from time to time without notice or disclosure to each of the Guarantor(s), and each of the Guarantor(s) hereby unconditionally and irrevocably waives notice and disclosure in respect of any of the aforesaid or the following or of any default of the Subtenant or of the Bakery Principal or any other Guarantor, and all benefits of division and discussion and any requirements for demand, presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonor or any other act or event and any other requirement for notice or disclosure which but for this waiver exists or is required at law or equity prior to this Guarantee becoming enforceable.

(f) No release of the Subtenant or the Bakery Principal or any of the Guarantor(s) in whole or in part from any obligation under this Sublease, and no variation, amendment, renewal or extension of this Sublease, and no breach or non-fulfillment of any portion of this Sublease by the Sublandlord, or any portion of the Franchise Agreement by the Sublandlord, and no assignment of any parties' rights and obligations under this Sublease, and no subletting of the Bakery Premises, and no expiry or termination of this Sublease or of the Franchise Agreement for any reason, and no event making any money the Subtenant is required to pay or any security unenforceable, and no death, disability, incapacity, bankruptcy or insolvency of the Subtenant, or of the Bakery Principal or any of the Guarantor(s), and no appointment of a receiver or receiver-manager or other custodian of all or substantially all of the assets of any such party, and no act by any such party to make a general assignment for the benefit of its creditors or to enter into a composition or arrangement with its creditors or filing of a petition under the bankruptcy laws of the United States of America, the state in which the Bakery Premises are located or any similar legislation, and no commencement by any such party of any proceedings to wind up or liquidate or dissolve its business, and no failure of any of the Guarantor(s) named in this Sublease to execute it, and no event making this Sublease void or unenforceable against the Subtenant or the Bakery Principal or any of the Guarantor(s), shall affect in any way the Sublandlord's right to enforce the Guarantee contained in this Section 10 against each of the Guarantor(s).

(g) Each of the Guarantor(s) agrees that this Guarantee is intended to be and to take effect as a sealed instrument of each of the Guarantor(s) for all purposes.

PART 10
MISCELLANEOUS

11. For the purposes of interpreting the obligations of the parties hereto, the Head Lease and the Franchise Agreement and the Items set out in Schedule A and all other Schedules shall be deemed to be incorporated herein by this reference and to form part of this Sublease.

12. The Subtenant shall not record this Sublease or a memorandum of this Sublease against the title of the Bakery Premises without the prior written consent of the Sublandlord and agrees that this Sublease need not be in recordable form.

13. This Sublease shall enure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, personal representatives, heirs, estates, successors and permitted assigns.

14. If the Subtenant or the Bakery Principal or the Guarantor hereunder comprise more than one person, firm or corporation, then the liabilities of the persons, firms or corporations, as the case may be, comprising the Subtenant or the Bakery Principal or the Guarantor, as the case may be, shall be joint and several hereunder.

15. The failure of the Sublandlord to insist upon the strict enforcement or performance of any of the terms, covenants or conditions of this Sublease shall not be deemed a novation or a waiver of any of the rights or remedies that the Sublandlord may have hereunder and shall not be deemed a waiver of any subsequent breaches or defaults hereunder. The subsequent acceptance of rent or other payments hereunder or under the Franchise Agreement by the Sublandlord shall not be deemed to be a waiver of any preceding breach or default by the Subtenant of any term, covenant or condition of this Sublease or the Franchise Agreement, as the case may be, regardless of the Sublandlord's knowledge of such preceding breach or default at the time of the acceptance of such rent or other payment. In the event of the termination of this Sublease by the Sublandlord as provided for herein, any prior agreement or waiver by the Sublandlord whereby the Sublandlord agreed to forbear from taking any action or to waive or relinquish its rights to any payments may, at the Sublandlord's election, be revoked upon written notice to the Subtenant, and all amounts which were the subject of any such agreement or waiver shall thereupon become due and payable forthwith by the Subtenant to the Sublandlord.

16. If any statute, law, by-law, ordinance or regulation promulgated by any competent authority with jurisdiction over this Sublease or any Court Order pertaining to this Sublease shall require a longer or different notice period than that specified herein, then the parties agree that the notice provisions hereof thus affected shall be deemed amended to conform with the requirements of such statute, law, by-law, ordinance, regulation or Court Order.

17. If any term or condition of this Sublease or the application of any term or condition to any person or circumstance is held by a Court having jurisdiction to be to any extent invalid or unenforceable, then to the extent so held it is separate and severable and shall be severed from this Sublease. The remainder of this Sublease or the application of the term or condition to persons or circumstances other than those to which it is held to be invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

    Notwithstanding the provisions of the paragraph immediately preceding, if any provision of this Sublease conflicts with any present or future statute, law, by-law, ordinance or regulation contrary to which the parties have no legal right to contract, or if any provision of this Sublease (other than for the payment of money) is deemed by any tribunal or Court of competent jurisdiction to be unreasonable and unenforceable, the parties agree that the provision thus affected shall be curtailed to the extent necessary to bring it within the requirements of the law, or that the said tribunal or Court may declare what modification of the said provision it would deem to be reasonable in the circumstances and enforceable, and that the said provision shall be modified to the extent necessary to bring it within the requirements of such declaration, and this Sublease shall remain valid and enforceable, and the parties agree to be bound by and perform the same as thus modified. If any provision of this Sublease conflicts with the laws of the state in which the Bakery Premises are located, or if there are additional provisions that must be incorporated into this Sublease in order to comply with applicable state law, the parties agree to modify this Sublease to the extent necessary to bring it within the requirements of the applicable state law.

18. All rights and remedies given to the Sublandlord in this Sublease and by law and equity shall be cumulative and not exclusive, and may be exercised or enforced by the Sublandlord separately or together and in any order. The covenants of the Sublandlord and the Subtenant are not mutual and particularly, and without limiting the generality of the foregoing, no claim by the Subtenant that the Sublandlord is in default under any provision hereof or that the Sublandlord is in default under any provision of the Franchise Agreement or under any other agreement between the Subtenant and the Sublandlord shall be a defense to a claim by the Sublandlord for or in respect of any payments owing or obligations hereunder or under the Franchise Agreement or other agreement by the Subtenant.

19. The terms, provisions, covenants, conditions and obligations contained in this Sublease which, by their nature or terms, require their performance by the Subtenant, the Bakery Principal or the Guarantor(s) after the expiration or other termination of this Sublease shall be and remain valid and enforceable notwithstanding such expiration or other termination of this Sublease for any reason whatsoever.

20. The Subtenant and the Bakery Principal and each of the Guarantor(s) agree to acknowledge, execute and deliver all such further documents, agreements, instruments or assurances and to perform all such further acts or deeds as may be reasonably required from time to time in order to carry out the terms of this Sublease in accordance with their true intent as expressed herein.

21. This Sublease (including the exhibits and schedules to it) excludes all conditions, warranties and terms implied by custom, general law or statute (except ones that by law may not be excluded) and is the entire agreement between the parties about its subject matter and in relation to that subject matter, supersedes any prior understanding or agreement between the parties and condition, warranty, indemnity or representation imposed, given or made by a party.

22. For the purposes of this Sublease, except as otherwise expressly provided herein:

(a) the singular of any term includes the plural and vice versa and the use of any term is equally applicable to any gender and where applicable to a body corporate or other entity;

(b) the word “or” is not exclusive and the words “including” or “include(s)” or words of a similar nature are not limiting (whether or not non limiting language such as “without limitation” or “but not limited to” or other words of similar import are used with reference thereto);

(c) this Sublease may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument once all parties have executed and delivered their respective counterparts;

(d) each reference in this Sublease to a designated Section or to a Schedule, is to the designated Section or Schedule to this Sublease unless otherwise specifically stated;

(e) the headings to the Sections of this Sublease are inserted for convenience only and do not form a part of this Sublease and are not intended to interpret, define or limit the scope, extent or intent of this Sublease or any provision of this Sublease; and

(f) capitalized terms not defined in this Sublease shall have the meanings set out in the Franchise Agreement.

23. In the event of the default by the Subtenant hereunder beyond applicable grace, notice and cure periods, the Sublandlord may in the name of and as the irrevocably appointed agent and attorney-in-fact for the Subtenant and on its behalf and without terminating or being deemed to have terminated this Sublease take possession of the Bakery Premises and the business assets of the Subtenant thereon and operate the Bakery Business using the business assets or proceed to lease the Bakery Premises and/or the business assets to any other person or entity on such terms and conditions, for such rent and for such period of time as the Sublandlord may deem fit and receive such rents and hold the same and apply the same against any monies expressed to be payable from time to time by the Subtenant hereunder.

24. The Sublandlord may assign its rights hereunder in whole or in part without notice to the Subtenant and the Subtenant shall be bound by any such assignment according to its terms save that the Subtenant shall in no event raise against any assignee any claims the Subtenant may have against the Sublandlord or its affiliated or associated companies.

25. The Sublandlord may at any time apply any funds it is holding on behalf of the Subtenant or the Bakery Principal, or any money that the Sublandlord may owe the Subtenant or the Bakery Principal, towards the satisfaction of any sum of money that the Subtenant or the Bakery Principal owes the Sublandlord, as the Sublandlord in its discretion may determine. The Sublandlord may

also treat any payments received from the Subtenant or the Bakery Principal as payments on account and may apply the amounts received to the payment of any amounts payable by the Subtenant or the Bakery Principal to the Sublandlord in any order of payment that the Sublandlord in its discretion may determine, despite any contrary designations by the Subtenant or the Bakery Principal as to the application of any such payments.

26. The Subtenant and the Bakery Principal may not apply any funds either of them are holding on the Sublandlord's behalf, or any money which either of them may owe the Sublandlord, towards the satisfaction of any sum of money that the Sublandlord may owe either of them.

27. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE LAW.**

28. The Subtenant, the Guarantor(s) and the Bakery Principal authorize the Sublandlord to date this Sublease and to complete any particulars in this Sublease, which are not presently completed.

29. Neither party shall be liable to the other and neither party shall be deemed to be in default for any failure or delay to observe or perform any of the terms and conditions applicable to the party under this Sublease (other than the payment of money) caused or arising out of any act beyond the control of that party, including (but not limited to) fire, flood, lightning, storm and tempest, earthquake, strikes, lock-outs or other industrial disputes, acts of war, acts of terrorism, riots, civil commotion, explosion, malicious damage, government restriction, unavailability of equipment or product, disease and/or virus of epidemic or pandemic proportions or other causes whether the kind enumerated above or otherwise which are beyond the control of that party and where such failure or delay is caused by one of the events above then all times provided for in this Sublease shall be extended for a period commensurate with the period of the delay.

30. Each of the covenants and obligations, including all payment obligations to be performed by the Subtenant under this Sublease, are essential terms of this Sublease and the time for performance shall be of the essence.

31. The parties to this Sublease shall do such things as are necessary to comply with all relevant legislation and shall use their best endeavors to ensure that the covenants and agreements as contained in this Sublease are enforceable under such legislation. If in the reasonable opinion of the Sublandlord any covenant or agreement does not comply with or is unenforceable or unlawful under any of the said legislation the Sublandlord may require a reasonable amendment or amendments as is enforceable under such legislation.

32. The Subtenant acknowledges that in the negotiations for and prior to having executed this Sublease the Subtenant has carefully read the provisions of the Sublease and has understood them, the Subtenant has been advised to obtain independent advice concerning its intention to enter into this Sublease and to base its decision on that advice and the Subtenant has recognized that the Bakery Business venture contemplated by this Sublease and the Franchise Agreement involves business risks and that its success will be affected by the Subtenant's ability as an independent business person.

33. The Sublandlord in giving advice to and assisting the Subtenant in establishing the COBS Bread System bases its advice and recommendations on experience actually obtained in practice and is not making or giving any representations guarantees or warranties.

34. Except where the contract requires otherwise, each of the obligations and restrictions contained in this Sublease shall be construed as independent of every other obligation and restriction and of every other provision of this Sublease and the existence of any claim or cause of action of the Subtenant against the Sublandlord shall not constitute a defense to the enforcement by the Sublandlord of the said obligations or restrictions or of any of them.

35. Having regard to the background and other provisions of this Sublease each of the restrictive covenants contained in this Sublease is reasonably necessary for the protection of the Sublandlord's Intellectual Property rights and of other subtenants of the Sublandlord and they do not unreasonably interfere with the freedom or action of the Subtenant.

36. Except as provided otherwise in the by law, all warranties, descriptions, representations and conditions as to fitness or suitability for any purpose, tolerance to any condition, merchantability or otherwise whether of a like nature or not and whether expressed or implied by law, trade, custom or otherwise are expressly excluded. No agent or representative of the Sublandlord is authorized to make any representations, statements, warranties, conditions or agreements not expressly specified and the Sublandlord is not in any way bound by any such representations, statements, warranties, conditions or agreements.

37. The Subtenant acknowledges that the Subtenant has relied upon its own judgment in deciding to proceed with and enter into this Sublease, the Subtenant has made all necessary enquiries from third parties, including its own lawyer and accountant and the Subtenant acknowledges and confirms that the future success of the Bakery Business shall depend upon the business acumen and hard work of the Subtenant.

38. No amendments to this Sublease shall be of any force or effect unless such amendments are recorded, in writing, executed by all parties to this Sublease to be bound by the amendments.

39. The parties agree that the Additional Provisions set out in Item 14 of Schedule A:

(a) bind the parties;

(b) if inconsistent with the terms of this Sublease shall override them;

(c) depart from the Sublandlord's standard sublease and have been agreed by the Sublandlord for the Bakery Business only and shall apply only whilst the Subtenant remains Subtenant and are, therefore, not assignable.

40. The Subtenant agrees to pay or reimburse the Sublandlord for all costs, expenses and fees the Sublandlord incurs in connection with the negotiation, preparation and signing of this Sublease.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Sublease to be executed as of the Date as described in Item 10 of Schedule A.

COBS USA INC.

____
Authorized Signatory

EXECUTED AND DELIVERED by **«FRANCHISEENAME»**, by its member, manager or officer as set out in Item 13 of Schedule A:

____
«DirectorName», Member

____
«DirectorSecretaryName», Member

SIGNED, SEALED AND DELIVERED by **«PRINCIPALNAME»**, as Bakery Principal, in the presence of:

____
Witness Signature

____
Witness Name

____
Witness Address

____
«PRINCIPALNAME»

SIGNED, SEALED AND DELIVERED by **«GUARANTOR1NAME»** as Guarantor, in the presence of:

____
Witness Signature

____
Witness Name

____
Witness Address

____
«GUARANTOR1NAME**»**

SIGNED, SEALED AND DELIVERED by **«GUARANTOR2NAME»**, as Guarantor, in the presence of:	)))	
 ______________________________ Witness Signature ______________________________ Witness Name ______________________________ Witness Address	)))))))))	 ______________________________ «GUARANTOR2NAME»

SCHEDULE A
ITEMS

1. THE SUBTENANT

Name: **«FRANCHISEENAME»**, a limited liability company incorporated or formed under the laws of the State of «Franchiseestate»

Address: «Franchiseeregaddress»

2. THE BAKERY PRINCIPAL

Name: **«PRINCIPALNAME»**

Address: «Principaladdress»

3. THE GUARANTORS

Name: **«GUARANTOR1NAME»**

Address: «Guarantor1address»«Guarantor2c»

4. THE BAKERY PREMISES

Address: «BusinessPremisesAddress»

5. DATE OF HEAD LEASE

Date: «HeadLeaseDate»

6. THE LANDLORD

Name: «Landlordname»

7. TERM OF HEAD LEASE

Term: «HeadLeaseTerm»

8. COMMENCEMENT DATE OF HEAD LEASE

Defined in Section 1 of the Head Lease.

9. DATE OF FRANCHISE AGREEMENT

The day of 20

10. DATE OF SUBLEASE

The day of 20

11. COMMENCEMENT DATE OF SUBLEASE TERM

Commencement Date of the Head Lease

12. EXPIRY DATE OF SUBLEASE

The earlier of:

(a) the day prior to the date upon which the Head Lease expires (after renewal or extension if renewed or extended, which the Subtenant acknowledges is entirely in the Sublandlord's discretion) or after any period of overholding; or

(b) «Term» from the Commencement Date of the Sublease.

For the avoidance of doubt the term "renewal or extension" shall include any renewal or extension of the Head Lease whether by virtue of the exercise of an option to renew the Head Lease or by virtue of an agreed renewal or extension of the Head Lease or by virtue of the grant of a new lease in respect of the Bakery Premises.

13. NAMES OF MEMBER, MANAGER OR OFFICER SIGNING ON BEHALF OF THE SUBTENANT

Member's, Manager's or Officer's Name:	**«DIRECTORNAME»**
Officer's Title, if applicable:	Member
Member's, Manager's or Officer's Name:	**«DIRECTORSECRETARYNAME»**
Officer's Title, if applicable:	Member

14. ADDITIONAL PROVISIONS

SCHEDULE B

COPY OF HEAD LEASE

EXHIBIT F

SUBLEASE AND BUSINESS LEASE

Sublease and Business Lease

DATE OF SUBLEASE:	
SUBTENANT:	**«FRANCHISEENAME»**
ADDRESS OF PREMISES:	«Businesspremisesaddress»
BAKERY NO.	«BakeryNumber»

FRANCHISE SUBLEASE AND BUSINESS LEASE

By a Head Lease dated as described in Item 5 of Schedule A (herein called the “Head Lease”), a copy of which is attached hereto as Schedule C or has been delivered to the Subtenant (the receipt of which is hereby acknowledged), the Landlord as described in Item 6 of Schedule A (the “Head Landlord”) leased to the Sublandlord the premises located as described in Item 4 of Schedule A (herein called the “Bakery Premises” or the “Premises”) for a term as described in Item 7 of Schedule A commencing on or about the Commencement Date described in Item 8 of Schedule A.

The Sublandlord has outfitted or will outfit the Bakery Premises with all improvements and equipment, including the personal property described in Schedule B or replacements thereof, together with all parts, accessories and equipment, now or hereafter attached to or forming a part of such personal property necessary to carry on a COBS Bread Bakery business at the Bakery Premises (herein called the “Business Assets” or the “business assets”).

The Sublandlord has agreed with the Subtenant to grant a Sublease of the Bakery Premises and to lease the Business Assets to the Subtenant on the terms and conditions hereinafter stated.

The Sublandlord has entered into a Franchise Agreement (the “Franchise Agreement”) with the Subtenant, the Bakery Principal and the Guarantor(s) dated as described in Item 9 of Schedule A, pursuant to which the Subtenant will carry on the business of a COBS Bread Bakery.

CONTENTS

SUBLEASE AND BUSINESS LEASE

THIS SUBLEASE and BUSINESS LEASE is made as of the date described in Item 10 of Schedule A.

PARTIES

SUBLANDLORD:

COBS USA Inc., a Delaware corporation having an office at Suite 210 1100 Melville Street, Vancouver, British Columbia, V6E 4A6. Wherever relevant, "the Sublandlord" includes the Sublandlord's officers, employees and any person the Sublandlord authorizes.

SUBTENANT:

The party described in Item 1 of Schedule A. Wherever relevant, "the Subtenant" includes the Subtenant's officers, employees, agents and any person the Subtenant allows on the Bakery Premises (except members of the public).

BAKERY PRINCIPAL:

The party described in Item 2 of Schedule A.

GUARANTOR(S):

The party or parties described in Item 3 of Schedule A.

This Sublease and Business Lease may be referred to herein and in any related documents as either the Sublease or the Business Lease or as both the Sublease and Business Lease, all with the same effect, being a reference to this Agreement.

PART 1
CONSIDERATION

1. In consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Subtenant to be paid, observed and performed, the Sublandlord does hereby sublease unto the Subtenant the Bakery Premises and lease unto the Subtenant the Business Assets, for the purpose of operating a COBS Bread Bakery from the Bakery Premises under franchise from the Sublandlord. This Sublease shall commence on the Commencement Date as set out in Item 11 of Schedule A and shall be for a term (the "Term") expiring on the earlier of:

   (a) midnight on the Expiry Date as set out in Item 12 of Schedule A; or

(b) the early termination or surrender of the Franchise Agreement for any reason; or;

(c) one day prior to the expiry of the term of the Head Lease or if the Head Lease is renewed or extended for a further term or a new lease granted for a new term one day prior to the expiry of the further term or the new term (as the case may be); or

(d) the early termination or surrender of the Head Lease,

unless sooner terminated as provided in this Sublease.

PART 2
COVENANTS BY THE SUBTENANT

2. The Subtenant hereby covenants as follows:

(a) To pay rent and all other charges and expenses for the use and occupancy of the Bakery Premises to the Sublandlord on the same dates and in the same manner and amounts that would be payable by the Subtenant if the Subtenant were the tenant named in the Head Lease, without any withholding, deduction, set-off or abatement whatsoever. Until the Sublandlord otherwise directs, all such rental payments shall be made on behalf of the Sublandlord directly to the Head Landlord in the form and in the manner and amounts and at the times provided in the Head Lease, in full satisfaction of the Sublandlord's obligation to pay rent and all other payments as required under the Head Lease;

(b) To pay rent for the Business Assets to the Sublandlord without any withholding, deduction, set-off or abatement whatsoever, as follows. Commencing on the Commencement Date as set out in Item 11 of Schedule A, the Subtenant will pay to the Sublandlord, on or before the 1st day of each month, rent (the "Business Asset Rent") in the amount or amounts as set out in Item 14 of Schedule A plus all applicable taxes per month. The Business Asset Rent will be paid by automated direct deposit from the Subtenant's bank account to such bank account as may be designated by the Sublandlord, and the Subtenant will complete any documentation required by the Sublandlord in this regard. The Subtenant's obligation to pay rent and other monies payable under this Section 2 is absolute and unconditional and shall not be affected by reason of any defect in, or damage to, or theft, loss of possession, loss of use or destruction of any of the Business Assets from whatever cause;

(c) To pay to the Sublandlord a deposit of the amount as set out in Item 13 of Schedule A, which deposit shall be paid in cash or provided by an irrevocable standby letter of credit prior to the first day of trade, to be held during the Term of this Business Lease and any renewal or extension thereof by the Sublandlord as security for the full and faithful performance by the Subtenant of all the covenants, agreements and obligations herein set forth and applied against expenses or other costs, losses or damages incurred by the Sublandlord and to be paid to the Sublandlord as liquidated damages and not as penalty, upon forfeiture, default or early termination by the Subtenant, without prejudice to any further claims by the Sublandlord for expenses, costs, losses, damages and/or any remedy at law or in equity for recovery thereof. If the security deposit is insufficient to meet the expenses, costs, losses, damages or other claims of the Sublandlord, the Subtenant shall pay to the Sublandlord any such difference upon demand. In the event the Subtenant observes and performs the covenants, agreements and obligations on its part under this Business Lease, such monies shall, after the expiration of the Term of this Business Lease, be applied without interest toward rents owed under this Business Lease, and any excess shall be applied without interest toward any amounts owed to the Sublandlord under any other agreement between them, and then any excess shall be paid back without interest to the Subtenant;

(d) Upon the Sublandlord's request, all amounts payable pursuant to this Business Lease or any related agreement, including the Franchise Agreement, shall be paid by automated direct deposit from the Subtenant's bank account to the designated bank account of the Sublandlord;

(e) To perform on behalf of the Sublandlord all of the covenants, agreements and obligations (except the covenant to pay rent) of the Sublandlord as the tenant under the Head Lease as if the Subtenant had been named as the tenant in such Head Lease;

(f) To pay to the Sublandlord as and when due and as additional rent hereunder all fees, royalties, advertising and marketing contributions and other amounts payable under the Franchise Agreement;

(g) To perform all of the other covenants, agreements and obligations of the Subtenant as the Franchisee under the Franchise Agreement;

(h) To indemnify and hold the Sublandlord and its affiliated and associated companies and their respective officers, directors, employees, agents, successors and assigns harmless from and against any and all claims, demands, actions, causes of action, liabilities, losses, damages, costs, charges and expenses (including reasonable attorneys' fees and costs of any action) of whatsoever kind or nature which may be asserted or imposed against the Sublandlord or its affiliated or associated companies by the Head Landlord, including but not limited to, all claims, demands, actions, causes of action, liabilities, losses, damages, costs, charges and expenses (including reasonable legal fees and costs of any action) of whatsoever kind or nature which may be asserted or imposed against the Sublandlord or its affiliated or associated companies by the Head Landlord:

(i) under or in connection with or in respect of the Head Lease; or

(ii) in connection with or in respect of the Bakery Premises; or

(iii) in connection with the operation of the Subtenant's business from the Bakery Premises; or

(iv) in connection with or in respect of any act or omission by the Subtenant, its officers, servants, agents and any other person permitted by the Subtenant to be upon the Bakery Premises including, but without limitation, in connection with or in respect of any death or injury to persons or damage to or destruction of property from any cause whatsoever; and relating in any way to the use, operation or ownership of the Business Assets during the Term of this Business Lease and whether caused by the Subtenant's negligence or otherwise;

(i) Not to assign this Sublease or further sublet or otherwise relinquish possession of the Bakery Premises or any of the Business Assets or change the use or appearance of the Bakery Premises without the prior consent in writing of the Sublandlord, which consent may be arbitrarily withheld, and no such assignment or subletting with consent shall operate to relieve the Subtenant, the Bakery Principal or the Guarantor(s) from any of its or their liabilities hereunder or under the Franchise Agreement;

(j) To use the Bakery Premises and the Business Assets only for the purposes outlined herein and in the Franchise Agreement and as allowed under the Head Lease and for no other purposes whatsoever;

(k) Not to mortgage, charge, pledge, hypothecate or otherwise encumber or allow any lien against its interest in this Sublease, the Bakery Premises or the machinery, equipment, removable fixtures, signs, furnishings, supplies, inventory or other business assets therein without the prior written consent of the Sublandlord, which consent may be arbitrarily withheld;

(l) All arrears of rent and any other monies payable hereunder to the Sublandlord or at its direction shall bear interest at the rate of 18% per annum or the highest rate permissible by law, calculated at such rate, and paid monthly, until paid;

(m) To the extent not otherwise provided for under the Head Lease or the Franchise Agreement, to procure and maintain at the Subtenant's sole cost and expense during the term of this Sublease business interruption insurance and rental insurance in such amounts as will cover the financial obligations of the Subtenant hereunder and under the Franchise Agreement, and to name the Sublandlord as an additional named insured under all such policies of insurance;

(n) Not to, without the Sublandlord’s prior written consent, which consent may be arbitrarily withheld, remove or permit to be removed from the Bakery Premises any of the business assets used in the Subtenant’s business except only for the purpose of necessary repairs or in the ordinary course of conducting the Subtenant’s business and for the purpose thereof;

(o) To, at its sole cost and expense, keep the Business Assets (including, without limitation, all machinery, equipment, removable fixtures, signs, furnishings, tools and Point of Sale equipment) in clean and good repair and preservation in a condition equivalent to their condition at the commencement of this Business Lease, reasonable wear and tear from proper use only excepted (and in so doing it must ensure that the Business Assets are serviced every 3 months, or other period agreed in writing by the Sublandlord, by a maintenance contractor approved by the Sublandlord), make good all damage to the Business Assets, and replace with similar new articles of at least equal value and quality all such Business Assets incapable of complete reinstatement to their former condition. For greater clarification, all parts, accessories, machinery, equipment and other items added to the Business Assets whether by repair, replacement, alteration or improvement shall immediately become a part of the Business Assets and the property of the Sublandlord;

(p) To reimburse the Sublandlord for the cost of all service calls and inspections of the Business Assets as reasonably required by the Sublandlord or as required by the written specification or instructions of the manufacturer of any of the Business Assets, and, subject to Section 2(r), to comply at its own cost and expense with all of the Sublandlord's reasonable recommendations relating to the repair and/or replacement of the Business Assets arising from such service calls or inspections;

(q) If the Subtenant shall default in observing and performing the provisions of this Section the Sublandlord shall have power (but shall not be bound to do so) to enter upon the Bakery Premises and to carry out the required work at the Subtenant's cost and expense and the Subtenant shall repay all monies so expended by the Sublandlord upon demand, provided always that, unless the required work must be immediately carried out by reason of an emergency or to comply with a lawful direction given by the Landlord or any government or authority having jurisdiction over the Bakery Business, the Sublandlord may not exercise its rights under this Section unless the default continues for more than 7 days after the Sublandlord has given written notice of such default to the Subtenant;

(r) Despite the provisions of Section 2(o) hereof, in the event that the Sublandlord agrees that any of the Business Assets cannot be economically repaired having regard to its or their age, condition and degree of wear and tear, the Sublandlord shall at its cost and expense replace such item with a similar new item and the Business Asset Rent payable under this Business Lease shall be adjusted to take into account the cost and nature of the replacement item and the age of the item that was replaced at the commencement of this Business Lease. In the event that the Sublandlord and the Subtenant cannot agree as to whether a particular item should be replaced or, if the Sublandlord and the Subtenant do not agree as to the adjustment of the Business Asset Rent, such dispute shall be resolved by an independent certified public accountant appointed by mutual agreement of Sublandlord and Subtenant and licensed in the state in which the Bakery Premises are located, and the decision of such accountant, who may hire experts as he or she decides is appropriate, shall be final and binding upon the parties and liability for the cost of such determination shall be determined by such expert;

(s) Not to use or operate the Business Assets or permit them to be used or operated:

(i) illegally or contrary to any applicable laws, regulations, orders, rules or directives of any governmental authority;

(ii) contrary to the terms of any insurance policy then in force in connection with the Business Assets; or

(iii) contrary to any published instructions and specifications which may from time to time be recommended by the manufacturers, warranty providers or sellers of the Business Assets;

(t) To give the Sublandlord prompt notice, in writing, of any accident to or defect or want of repair in the Business Assets and of any circumstances likely to be or cause any damage, risk or hazard to the Business Assets of which the Subtenant ought reasonably to be aware;

(u) If the carrying out of any of the Subtenant's obligations under this Part shall require the engagement of any electrician, plumber, painter, carpenter or other tradesman, the Subtenant shall other than in the case of work of a minor nature before entering into any contract, agreement or engagement obtain the Sublandlord's approval, which shall not be unreasonably withheld, to the person or entity proposed to be so engaged for such work;

(v) To keep the Business Assets free and clear of all seizures, forfeitures, liens, security interests, claims, privileges, debts, taxes or adverse claims of any nature whatsoever;

(w) To defend the Sublandlord's ownership of and title to the Business Assets, which ownership is acknowledged by the Subtenant, from and against any contrary claim. No title shall pass to the Subtenant hereunder except in accordance with any option to purchase that may be contained in any Schedule to this Business Lease;

(x) The Subtenant will provide to the Sublandlord for its review, upon request, the following:

(i) Administrative Performance Summary;

(ii) Business Plan;

(iii) Operational Performance Summary;

(iv) Suppliers' Statements;

(v) Bank Statements;

(vi) Personal Budgets and Plans;

(vii) Assets and Liabilities Statements; and

(viii) Statement of Balance of Statutory Payments, in such form and containing such information as the Sublandlord may specify;

(y) The Subtenant agrees to comply with the following performance requirements:

(i) the monthly cost of goods will not exceed the percentage of gross monthly sales as set out in Item 18 of Schedule A;

(ii) total monthly wages will not exceed the percentage of gross monthly sales as set out in Item 19 of Schedule A;

(iii) total monthly operating profit for each year will be no less than the percentage of gross monthly sales as set out in Item 20 of Schedule A; and

(iv) such other requirements as set out in Item 21 of Schedule A;

(z) The Subtenant will fully pay all suppliers of ingredients and packaging in accordance with the terms of supply specified by such suppliers and, if no terms are specified, within 7 days of receipt of the supplier's invoice;

(aa) If required by the Sublandlord, the Subtenant will employ a bookkeeper or accountant satisfactory to the Sublandlord for the Term of this Business Lease and any renewal or extension thereof and will ensure that the monthly profit and loss statement required to be provided by the Franchisee under the Franchise Agreement is prepared, at the Franchisee's cost, by the bookkeeper or accountant appointed under this Section;

(bb) The Subtenant will continually and at all times operate and maintain the Bakery Business operating at the Bakery Premises with the highest level of competency and professionalism and shall ensure daily that the COBS Bread Bakery's Five Star status is maintained. The Subtenant shall maintain the Bakery Premises in the condition in which they were delivered and make all necessary repairs to do so. The Subtenant shall comply with all laws, ordinances, orders, rules and regulations and other governmental requirements relating to the use, condition and occupancy of the Bakery Premises, and all requirements of the board of fire underwriters or insurance service office, or any other similar body, having jurisdiction over the building in which the Bakery Premises are located. The cost of such compliance, including, without limitation, capital expenditures, shall be borne by the Subtenant;

(cc) The Subtenant must have satisfactorily completed the Sublandlord's COBS Bread Bakery training program prior to commencement of the Business Lease; and

(dd) The Subtenant shall attend all meetings specified by the Sublandlord and shall procure that the Bakery Principal attends all meetings specified by the Sublandlord.

PART 3
COVENANTS BY THE SUBLANDLORD

3. The Sublandlord hereby covenants that:

(a) If the Sublandlord directs, pursuant to Section 2(a) hereof, that the Subtenant pay the rent hereby reserved otherwise than directly to the Head Landlord, then the Sublandlord shall pay all rent and other payments as required under the Head Lease which may become payable after the date of such direction;

(b) At the request in writing of the Subtenant, and at the expense of the Subtenant, and upon receiving security sufficient in the opinion of the Sublandlord to secure the Sublandlord for the costs and expenses incurred by the Sublandlord in so doing, the Sublandlord shall take such action within its power necessary to enforce all or any of its rights as the tenant under the Head Lease;

(c) The Sublandlord shall not without the consent in writing of the Subtenant having first been obtained, such consent not to be unreasonably or arbitrarily withheld or delayed, agree to any material or monetary amendments of the Head Lease; and

(d) The Head Lease will be in good standing as of the day the Subtenant takes possession of the Bakery Premises, and the Sublandlord hereby agrees to indemnify and save harmless the Subtenant, the Bakery Principal and the Guarantor(s) from any and all breaches of the Head Lease which may have occurred up to and including the day before the Subtenant takes possession of the Bakery Premises.

PART 4
BAKERY PRINCIPAL'S COVENANT

4. The Bakery Principal agrees to diligently and faithfully perform, and to cause the Subtenant to diligently and faithfully perform, all of the covenants and agreements of the Subtenant contained in this Sublease. All such obligations of the Bakery Principal and the Subtenant shall be joint and several obligations.

PART 5
AGREEMENTS

5.

(a) It is hereby agreed between the Sublandlord and the Subtenant that, subject to the terms of the Franchise Agreement:

(i) except for the right of the Sublandlord to renew, extend, terminate or surrender the Head Lease, and except for the right of the Sublandlord to have possession of the Bakery Premises exclusive of the Subtenant for the last day of the term of the Head Lease, the Subtenant shall have the same rights and privileges against the Sublandlord as the Sublandlord has against the Head Landlord;

(ii) the Subtenant shall be under the same duties, obligations and liabilities to the Sublandlord as the Sublandlord has to the Head Landlord;

(iii) the Sublandlord shall have the same rights and privileges against the Subtenant and be under the same duties, obligations and liabilities to the Subtenant as the Head Landlord has against or to the Sublandlord; and

(iv) the Sublandlord shall have the same rights to terminate this Sublease as the Franchisor under the Franchise Agreement has against the Subtenant to terminate the Franchise Agreement and as the Head Landlord has against the Sublandlord under the Head Lease; and in particular, but without limiting the generality of the foregoing, a default by the Subtenant under the Franchise Agreement or under any other agreement between the Subtenant and the Sublandlord shall also constitute a default of this Sublease as having been breached by the Subtenant, with the result that the Sublandlord shall thereupon be entitled to pursue its rights and remedies under this Sublease as against the Subtenant, the Bakery Principal and the Guarantor(s) for the breach hereof; and further, but without limiting the generality of the foregoing, the provisions of the Franchise Agreement which relate to breaches and defaults thereunder by the Franchisee are hereby incorporated by this reference into this Sublease as additional breach, default and termination provisions hereof, mutatis mutandis;

provided that the Sublandlord shall not be under any greater liability to the Subtenant for any damages sustained by the Subtenant arising out of or in connection with a breach by the Head Landlord of its duties, obligations and liabilities to the Sublandlord than the actual amount of damages recovered by the Sublandlord from the Head Landlord and, except as provided in Section 3(b) hereof, the Sublandlord shall not be obligated to enforce its rights under the Head Lease nor shall it be liable to the Subtenant for failure so to do; and further provided that the Sublandlord shall not be liable to the Subtenant for any lawful action or omission by the Head Landlord, except such action or omission by the Head Landlord taken or not taken as a result of a default by the Sublandlord in the performance of its duties, obligations and liabilities under the Head Lease, which default did not arise by reason of or was not occasioned by a default by the Subtenant in the performance of its duties, obligations and liabilities to the Sublandlord hereunder or otherwise.

(b) Without limiting the generality of Section 5 hereof, the Subtenant shall be under the same obligations to the Sublandlord with respect to the condition and surrender of the Bakery Premises upon the expiration or termination by effluxion of time or otherwise of this Sublease as the Sublandlord has to the Head Landlord upon the expiration or termination of the Head Lease.

(c) Without limiting the generality of Sections 3(a) and 3(b) hereof, the Subtenant hereby acknowledges, confirms and agrees that it is the intention of the parties that this Sublease shall be a completely carefree net Sublease for the Sublandlord, and that, subject to the provisions of the Head Lease, the Sublandlord shall not be responsible during the term of this Sublease or any renewal or extension hereof for any losses, damages, liabilities, costs, charges, expenses, taxes, assessments, impositions or outlays of any nature or kind whatsoever arising from or relating to the Bakery Premises or the contents or operations thereof, and the Subtenant shall duly and timely pay all such items and hereby covenants with the Sublandlord so to do.

(d) If upon the expiration of the term of this Sublease the Subtenant, with the consent of the Sublandlord, remains in possession or occupation of the Bakery Premises, then it is hereby understood and agreed between the Sublandlord and the Subtenant that in the absence of an express written agreement to the contrary being entered into between the parties, no new subtenancy is thereby created, and the Subtenant shall remain in such possession or occupation as a subtenant from month to month only, subject to 1 month’s written notice to vacate and surrender possession of the Bakery Premises and Business Assets to the Sublandlord, but otherwise subject to the other covenants, agreements and obligations of the Subtenant contained herein.

PART 6
ADDITIONAL ACKNOWLEDGEMENTS

6. It is hereby acknowledged and agreed upon by the parties hereto that:

(a) The Sublandlord has entered into the Head Lease and granted this Sublease to the Subtenant at the Subtenant's request and at the request of the Bakery Principal and the Guarantor(s) strictly as an accommodation to the Subtenant to enable the Subtenant to acquire the use of the Bakery Premises for the purposes detailed herein, which would not otherwise be available to the Subtenant, and it is therefore hereby agreed between the Sublandlord and the Subtenant and the Bakery Principal and the Guarantor(s) that neither the Guarantor(s) nor the Bakery Principal nor the Subtenant shall be entitled to assert, by way of counterclaim, set-off or defense in any action by the Sublandlord to enforce its rights hereunder, any breach by the Sublandlord of any obligation of the Sublandlord to the Subtenant or the Bakery Principal or the Guarantor(s) arising out of or in connection with the Franchise Agreement or the dealings between the Sublandlord and the Subtenant and/or the Bakery Principal and/or the Guarantor(s) in connection with the franchise granted thereunder;

(b) In the event that the Subtenant shall fail to pay any amounts required to be paid hereunder or shall otherwise default in the performance of any obligations hereunder, then the

Sublandlord shall have the right, but not the obligation, to pay any such amounts or perform any such obligations on the Subtenant's behalf and for its account and the Subtenant shall thereupon be liable to reimburse the Sublandlord upon demand for all such payments and all costs and expenses incurred by the Sublandlord in so doing, all of which shall constitute additional rent due and payable by the Subtenant to the Sublandlord hereunder, and all remedies available to the Sublandlord hereunder or at law or equity in respect of the recovery of unpaid rent in arrears shall be equally available in respect of such additional rent; and

(c) Any prepayment of rent or other deposit required by the Sublandlord shall be held without interest as security for the due performance by the Subtenant of all its obligations hereunder. The Sublandlord may, in its sole discretion, apply such security to cure any default of the Subtenant hereunder and in such event the Subtenant shall promptly restore such security to its original amount. Upon expiration or termination of this Sublease or any renewal or extension of it and upon fulfilment of all its provisions by the Subtenant, the Sublandlord shall return to the Subtenant any balance of such security then remaining and not applied to final rents or other amounts owing hereunder;

(d) The Sublandlord shall at all times have and retain whatever title to the Business Assets is acquired by the Sublandlord from the manufacturers or sellers of the Business Assets. The Subtenant shall have no right, title or interest in the Business Assets other than the right of possession and use in accordance with the terms of this Business Lease;

(e) The Business Assets are and shall remain personal and moveable property;

(f) **EXCEPT FOR THE WARRANTY OF TITLE SET FORTH IN SECTION 6(d) ABOVE, THE SUBLANDLORD MAKES NO WARRANTY WHATSOEVER WITH RESPECT TO THE BUSINESS ASSETS, INCLUDING ANY:**

(i) **WARRANTY OF MERCHANTABILITY;**

(ii) **WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; OR**

(iii) **WARRANTY AGAINST INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY, WHETHER EXPRESS OR IMPLIED BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE.**

Any warranties by the manufacturer or sellers of the Business Assets are made by them alone and not by the Sublandlord, but for the joint and several benefit of and enforcement by the Subtenant and the Sublandlord. Any claims by the Subtenant in connection with manufacturer's or seller's or other warranties, conditions or guarantees will be made directly by the Subtenant against the manufacturer, seller or supplier only.

(g) The Sublandlord assigns to the Subtenant for the Term of this Business Lease only all assignable rights under any warranty given to the Sublandlord by the manufacturers, warranty providers or sellers of the Business Assets, and at the Subtenant's sole cost and expense, agrees to cooperate reasonably with the Subtenant in the enforcement of such warranties;

(h) Except as expressly set forth in this Business Lease, the Sublandlord has not made any representations or warranties with respect to the condition of the Bakery Premises or the building in which the Bakery Premises are located or their suitability or fitness for the intended use by the Subtenant or the conduct of the Subtenant's business and the Subtenant acknowledges that it has had a full opportunity to make its own determination in this regard. The Subtenant acknowledges that no such representations or warranties have been made and the Subtenant agrees to take the Bakery Premises in their condition on the Date of Sublease; and

(i) The Subtenant acknowledges receiving a copy of this Business Lease and waives all rights to receive from the Sublandlord a copy of any financing statement, financing change statement or verification statement or equivalent document filed at any time in respect of the Business Assets or this Business Lease.

7. The Subtenant and the Bakery Principal acknowledge that:

(a) they have received and read a copy of the Head Lease;

(b) the Sublandlord has made no representations or statements or promises to the Subtenant or the Bakery Principal about:

(i) the suitability of the Bakery Premises; and

(ii) the likelihood of the Bakery Business being successfully conducted from the Bakery Premises;

(c) it is solely the responsibility of the Subtenant and the Bakery Principal to conduct their own due diligence in respect of the Bakery Premises before entering into this Sublease; and

(d) the Subtenant and Bakery Principal should seek their own legal advice in respect of negotiations in respect of the Head Lease, the Head Lease, this Sublease and any other agreements the Subtenant may be asked to sign in relation to the Bakery Premises.

PART 7
TERMINATION

8.

(a) In addition to the rights to terminate arising under Section 5 hereof in favor of the Sublandlord, the Sublandlord, without prejudice to any other rights it may have, shall have the right to terminate this Sublease forthwith upon written notice to the Subtenant:

(i) Upon termination of the Franchise Agreement or upon the Franchisor under the Franchise Agreement becoming entitled to terminate the Franchise Agreement in accordance with its terms;

(ii) If the Subtenant fails to pay when due any monies payable to or at the direction of the Sublandlord under this Sublease and such failure has continued for a period of 5 days after demand therefor has been made by the Sublandlord or the Head Landlord;

(iii) If the Subtenant removes or permits the removal from the Bakery Premises or parts with possession of or purports or attempts to sell, assign, transfer or sublet any machinery, equipment, removable fixtures, signs, furnishings, supplies, inventory or other business assets of the Subtenant other than in the ordinary course of the Subtenant's business and for the purpose thereof without the Sublandlord's prior written consent unless expressly permitted under this Sublease;

(iv) If the Subtenant fails to perform any of the obligations conferred on the Subtenant under Section 2(e) and thereby causes an event of default to occur under the terms of the Head Lease;

(v) If the Subtenant purports or attempts to assign or sublet the Bakery Premises or to change the use or appearance of the Bakery Premises without the prior consent in writing of the Sublandlord, or if an assignment of this Sublease or any of the Business Assets shall occur by operation of law, or by reason of judicial process;

(vi) Save and except for Sections 2(a), 2(b), 2(c) and 2(f), if the Subtenant violates any other term or condition of this Sublease and fails to cure the violation within 10 days after written notice from the Sublandlord to cure the violation; and

(vii) If the Head Lease is terminated or expires for any reason whatsoever;

and in such event or upon expiry of this Sublease the Subtenant shall forthwith peaceably vacate and surrender the Bakery Premises to the Sublandlord. Without prejudice to any other rights which the Sublandlord may have, in the event of a termination or expiry as in this Section or Section 5 provided, the Subtenant shall remain liable to the Sublandlord for all rent payable hereunder up to the date upon which it vacates and surrenders the Bakery Premises and for the breach of any and all of its covenants, agreements and obligations hereunder occurring up to the date of such vacation and surrender, and the Subtenant shall further be liable to the Sublandlord for 3 additional months rent next payable hereunder subsequent to the effective date of termination of this Sublease. In the event of a termination or expiry of this Sublease as aforesaid, if the Subtenant does not forthwith vacate and surrender the Bakery Premises to the Sublandlord as required, then the Sublandlord may re-enter the Bakery Premises and take possession thereof, and change the locks and security system access code, using such reasonable force as is necessary in the circumstances, without service of notice or resort to legal process and without the Sublandlord being guilty of trespass or becoming liable in any way for such entry or for any loss or damage which may be occasioned thereby.

(b) The Subtenant hereby expressly acknowledges and agrees that upon the termination of this Sublease by the Sublandlord as provided for herein, the Subtenant shall have no right to resume possession or occupation of the Bakery Premises even if the breach, default or violation which gave rise to the termination is subsequently cured, and the Subtenant hereby waives and relinquishes any right, statutory or otherwise, to claim relief against the forfeiture of this Sublease upon such termination.

(c) Upon the expiry or termination of this Business Lease, the Sublandlord may take possession of the Business Assets and sell, lease or otherwise dispose of the Business

Assets by public or private means and upon such terms and consideration as the Sublandlord may in its sole discretion accept. Without limiting the generality of the foregoing, the Sublandlord shall have the right to dispose of the Business Assets where the payment for such is deferred provided that the Subtenant will not be entitled to be credited with the proceeds of any such disposition until the monies therefor are actually received. The Subtenant hereby waives any losses or damages or claim to losses or damages arising from any retaking of possession under the terms of this Business Lease.

(d) Upon the expiration or termination of this Business Lease, the Subtenant shall leave the Business Assets on the Bakery Premises free and clear of all liens and adverse claims of any nature whatsoever and in the condition required by the Head Lease and/or as specified by the Sublandlord.

PART 8
NOTICE

9.

(a) Any notice that is required to be given under this Sublease must be in writing. Such notice may be:

(i) hand delivered – in which case the notice will be deemed to have been received once it has been delivered;

(ii) transmitted by facsimile, email or other electronic means if the recipient has facilities for the receipt of documents by such means – in which case the notice will be deemed to have been given at 9:00 am local time for the recipient on the next business day following the date of transmission; or

(iii) mailed by prepaid post – in which case the notice will be deemed to have been given at 5:00 pm local time for the recipient on the 2nd business day following the date of mailing. No mailing shall be made if at the date of mailing there is any labor dispute, strike or lockout affecting mail service in the geographic area in which the item is mailed or is intended to be received.

(b) Notices to be given to the Sublandlord by the Subtenant, the Bakery Principal or the Guarantor(s) must be delivered, transmitted or mailed to the Sublandlord's principal office.

(c) Notices to be given to the Subtenant by the Sublandlord may be delivered, mailed or transmitted to either the Subtenant's principal office, the Subtenant's last known address or, provided this Sublease has not expired or been terminated, the Bakery Premises.

(d) Notices to be given to the Bakery Principal by the Sublandlord may be delivered, mailed or transmitted to either his or her last known address or, provided this Sublease has not expired or been terminated, the Bakery Premises.

(e) Notices to be given to the Guarantor(s) by the Sublandlord may be delivered, mailed or transmitted to the last known address of the Guarantor(s), respectively.

PART 9
GUARANTEE

10.

(a) In consideration of the sum of $10.00 now paid by the Sublandlord to each of the Guarantor(s) and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Guarantor(s), and in consideration of the granting of this Sublease by the Sublandlord to the Subtenant at the request of each of the Guarantor(s), each of the Guarantor(s) hereby covenants, unconditionally and irrevocably, as principal debtor and not as surety, and as a continuing guarantee, with the Sublandlord that the Subtenant shall duly and timely perform and observe and continue to perform and observe each and every term, covenant, proviso, condition and agreement in this Sublease on the part of the Subtenant to be performed and observed, including without limitation the payment of rent and all other amounts agreed to be paid or payable under this Sublease on the days and at the times and in the manner herein specified, and that if any default be made by the Subtenant, whether in payment of rent or other amounts from time to time falling due hereunder as and when they become due and payable, or in the performance or observance of any of the terms, covenants, provisos, conditions or agreements which under the terms of this Sublease are to be performed or observed by the Subtenant, each of the Guarantor(s) shall forthwith pay and continue to pay to the Sublandlord on demand such rent and other sums in respect of which such default shall have occurred and all damages that may arise in consequence of the non-observance or non-performance of any of the said terms, covenants, provisos, conditions or agreements, and each of the Guarantor(s) shall forthwith duly and timely perform and observe and continue to perform and observe each and every one of the said terms, covenants, provisos, conditions and agreements. The obligations of the Guarantor(s) hereunder, to the fullest extent permitted by applicable law, shall not be discharged or impaired or otherwise effected by, and each Guarantor hereby irrevocably waives any defenses to enforcement it may have (now or in the future) by reason of:

(i) the illegality or lack of validity or enforceability of this Sublease or any obligation thereunder;

(ii) any present or future law, regulation or order of any government or any agency thereof, or any judgment or order of any court purporting to reduce, amend, restructure or otherwise affect the obligations of the Subtenant hereunder; or

(iii) any defense, set-off or counterclaim that may at any time be available to, or be asserted by, the Guarantor(s) under the Sublease.

(b) Each of the Guarantor(s) hereby covenants, unconditionally and irrevocably, as principal debtor and not as surety, and as a continuing guarantee, with the Sublandlord that each of the Guarantor(s) is and shall be jointly and severally bound with the Subtenant for the continuing fulfilment of all obligations of the Subtenant under this Sublease. In the enforcement of its rights hereunder, the Sublandlord may proceed against each of the Guarantor(s) as if each of the Guarantor(s) was named as the Subtenant hereunder.

(c) Each of the Guarantor(s) hereby unconditionally and irrevocably waives any right to require the Sublandlord to proceed against the Subtenant, the Bakery Principal or any other Guarantor hereunder or to proceed against or to exhaust any security held from the Subtenant or any Guarantor or to pursue any other remedy whatsoever which may be available to the Sublandlord before proceeding against each of the Guarantor(s).

(d) Each of the Guarantor(s) hereby postpones and subordinates any and all claims which each of the Guarantor(s) now has or during the currency of this continuing Guarantee may have against the Subtenant to the debts, liabilities, covenants and obligations being guaranteed hereby.

(e) No neglect or forbearance of the Sublandlord in endeavoring to obtain payment of the rent reserved herein, or other payments required to be made under the provisions of this Sublease as and when they become due and payable, or delay of the Sublandlord in taking steps to enforce performance or observance of the several terms, covenants, provisos, conditions or agreements contained in this Sublease to be performed or observed by the Subtenant, and no extension or extensions of time, waiver or waivers or other indulgence or indulgences which may be given by the Sublandlord from time to time to the Subtenant or the Bakery Principal or any Guarantor, and no other dealings as between the Sublandlord and the Subtenant or the Bakery Principal or any Guarantor, and no release, substitution, impairment, realization or other dealing with any security held by the Sublandlord in connection with this Sublease shall release, discharge or in any way reduce the continuing obligations of each of the Guarantor(s) under the Guarantee contained in this Section 10, and any such dealings as between the Sublandlord and the Subtenant or the Bakery Principal or any other Guarantor hereunder may be made from time to time without notice or disclosure to each of the Guarantor(s), and each of the Guarantor(s) hereby unconditionally and irrevocably waives notice and disclosure in respect of any of the aforesaid or the following or of any default of the Subtenant or of the Bakery Principal or any other Guarantor, and all benefits of division and discussion and any requirements for demand, presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonor or any other act or event and any other requirement for notice or disclosure which but for this waiver exists or is required at law or equity prior to this Guarantee becoming enforceable.

(f) No release of the Subtenant or the Bakery Principal or any of the Guarantor(s) in whole or in part from any obligation under this Sublease, and no variation, amendment, renewal or extension of this Sublease, and no breach or non-fulfillment of any portion of this Sublease by the Sublandlord, or any portion of the Franchise Agreement by the Sublandlord, and no assignment of any parties' rights and obligations under this Sublease, and no subletting of the Bakery Premises, and no expiry or termination of this Sublease or of the Franchise Agreement for any reason, and no event making any money the Subtenant is required to pay or any security unenforceable, and no death, disability, incapacity, bankruptcy or insolvency of the Subtenant, or of the Bakery Principal or any of the Guarantor(s), and no appointment of a receiver or receiver-manager or other custodian of all or substantially all of the assets of any such party, and no act by any such party to make a general assignment for the benefit of its creditors or to enter into a composition or arrangement with its creditors or filing of a petition under the bankruptcy laws of the United States of America, the state in which the Bakery Premises are located or any similar legislation, and no commencement by any such party of any proceedings to wind up or liquidate or dissolve its business, and no failure of any of the Guarantor(s) named in this Sublease to execute it, and no event making this Sublease void or unenforceable against the Subtenant or the Bakery Principal or any of the Guarantor(s), shall affect in any way the Sublandlord's right to enforce the Guarantee contained in this Section 10 against each of the Guarantor(s).

(g) Each of the Guarantor(s) agrees that this Guarantee is intended to be and to take effect as a sealed instrument of each of the Guarantor(s) for all purposes.

PART 10
MISCELLANEOUS

11. For the purposes of interpreting the obligations of the parties hereto, the Head Lease and the Franchise Agreement and the Items set out in Schedule A and all other Schedules shall be deemed to be incorporated herein by this reference and to form part of this Sublease.

12. The Subtenant shall not record this Sublease or a memorandum of this Sublease against the title of the Bakery Premises or the Business Assets without the prior written consent of the Sublandlord and agrees that this Sublease need not be in recordable form.

13. If agreed upon between the Sublandlord and the Subtenant, the Subtenant may exercise an option (the "Option") to purchase the Business Assets and the operations of the Bakery Business as a going concern from the Sublandlord upon the following terms and conditions:

(a) the Option is to purchase the Business Assets and the operations of the Bakery Business as a going concern for the Bakery Business Option Price as set out in Item 15 of Schedule A;

(b) the Option may be excised by notice in writing given by the Subtenant to the Sublandlord any time on or before the end date of the Option Period as set out in Item 16 of Schedule A, after which date the Option will be null and void and of no further effect;

(c) in the event that the Subtenant exercises the Option, the Sublandlord shall be responsible to ensure that the term of the Franchise Agreement extends beyond the date of completion of such purchase, and the Subtenant will sign any additional documentation that is required by the Sublandlord including, without limitation, an Assignment and Assumption of the Head Lease or a Sublease Agreement for the Bakery Premises and a new Franchise

Agreement and the Subtenant will pay to the Sublandlord any additional amounts that are required by the Sublandlord pursuant to such additional documentation; and

(d) the Subtenant will save at least the amount as set out in Item 17 of Schedule A during the Term of this Business Lease, which sum will be paid to the Sublandlord as a deposit toward the purchase of the Business Assets and Bakery Business if and when this Option is exercised.

14. If, after exercising the Option, the Subtenant assigns the Business Assets and the Bakery Business purchased hereunder or any part thereof to a third party pursuant to the terms of the Franchise Agreement, or any related agreement, then notwithstanding any other provision contained herein or in any related agreement, the Subtenant will pay the Sublandlord a transfer fee (in addition to any other fees and expenses payable pursuant to this or a related agreement). The amount of the transfer fee will be a percentage of the total purchase price payable in connection with the assignment of the Subtenant's Business Assets and the Bakery Business carried on in the Bakery Premises, which percentage will vary as follows depending on the year in which the assignment occurs:

(a) 10% if such assignment occurs during the 1st year following the Subtenant's purchase of the Business Assets;

(b) 9% if such assignment occurs during the 2nd year following the Subtenant's purchase of the Business Assets;

(c) 8% if such assignment occurs during the 3rd year following the Subtenant's purchase of the Business Assets;

(d) 7% if such assignment occurs during the 4th year following the Subtenant's purchase of the Business Assets;

(e) 6% if such assignment occurs during the 5th year following the Subtenant's purchase of the Business Assets; and

(f) 5% if such assignment occurs during the 6th year, or any subsequent year, following the Subtenant's purchase of the Business Assets.

15. This Sublease shall enure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, personal representatives, heirs, estates, successors and permitted assigns.

16. If the Subtenant or the Bakery Principal or the Guarantor hereunder comprise more than one person, firm or corporation, then the liabilities of the persons, firms or corporations, as the case may be, comprising the Subtenant or the Bakery Principal or the Guarantor, as the case may be, shall be joint and several hereunder.

17. The failure of the Sublandlord to insist upon the strict enforcement or performance of any of the terms, covenants or conditions of this Sublease shall not be deemed a novation or a waiver of any of the rights or remedies that the Sublandlord may have hereunder and shall not be deemed a waiver of any subsequent breaches or defaults hereunder. The subsequent acceptance of rent or other payments hereunder or under the Franchise Agreement by the Sublandlord shall not be deemed to be a waiver of any preceding breach or default by the Subtenant of any term, covenant or condition of this Sublease or the Franchise Agreement, as the case may be, regardless of the Sublandlord's knowledge of such preceding breach or default at the time of the acceptance of such rent or other payment. In the event of the termination of this Sublease by the Sublandlord as provided for herein, any prior agreement or waiver by the Sublandlord whereby the Sublandlord agreed to forbear from taking any action or to waive or relinquish its rights to any payments may, at the Sublandlord’s election, be revoked upon written notice to the Subtenant, and all amounts which were the subject of any such agreement or waiver shall thereupon become due and payable forthwith by the Subtenant to the Sublandlord.

18. If any statute, law, by-law, ordinance or regulation promulgated by any competent authority with jurisdiction over this Sublease or any Court Order pertaining to this Sublease shall require a longer or different notice period than that specified herein, then the parties agree that the notice provisions hereof thus affected shall be deemed amended to conform with the requirements of such statute, law, by-law, ordinance, regulation or Court Order.

19. If any term or condition of this Sublease or the application of any term or condition to any person or circumstance is held by a Court having jurisdiction to be to any extent invalid or unenforceable, then to the extent so held it is separate and severable and shall be severed from this Sublease. The remainder of this Sublease or the application of the term or condition to persons or circumstances other than those to which it is held to be invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

Notwithstanding the provisions of the paragraph immediately preceding, if any provision of this Sublease conflicts with any present or future statute, law, by-law, ordinance or regulation contrary to which the parties have no legal right to contract, or if any provision of this Sublease (other than for the payment of money) is deemed by any tribunal or Court of competent jurisdiction to be unreasonable and unenforceable, the parties agree that the provision thus affected shall be curtailed to the extent necessary to bring it within the requirements of the law, or that the said tribunal or Court may declare what modification of the said provision it would deem to be reasonable in the circumstances and enforceable, and that the said provision shall be modified to the extent necessary to bring it within the requirements of such declaration, and this Sublease shall remain valid and enforceable, and the parties agree to be bound by and perform the same as thus modified. If any provision of this Sublease conflicts with the laws of the state in which the Bakery Premises are located, or if there are additional provisions that must be incorporated into this Sublease in order to comply with applicable state law, the parties agree to modify this Sublease to the extent necessary to bring it within the requirements of the applicable state law.

20. All rights and remedies given to the Sublandlord in this Sublease and by law and equity shall be cumulative and not exclusive, and may be exercised or enforced by the Sublandlord separately or together and in any order. The covenants of the Sublandlord and the Subtenant are not mutual and particularly, and without limiting the generality of the foregoing, no claim by the Subtenant that the Sublandlord is in default under any provision hereof or that the Sublandlord is in default under any provision of the Franchise Agreement or under any other agreement between the Subtenant and the Sublandlord shall be a defense to a claim by the Sublandlord for or in respect of any payments owing or obligations hereunder or under the Franchise Agreement or other agreement by the Subtenant.

21. The terms, provisions, covenants, conditions and obligations contained in this Sublease which, by their nature or terms, require their performance by the Subtenant, the Bakery Principal or the Guarantor(s) after the expiration or other termination of this Sublease shall be and remain valid and enforceable notwithstanding such expiration or other termination of this Sublease for any reason whatsoever.

22. The Subtenant and the Bakery Principal and each of the Guarantor(s) agree to acknowledge, execute and deliver all such further documents, agreements, instruments or assurances and to perform all such further acts or deeds as may be reasonably required from time to time in order to carry out the terms of this Sublease in accordance with their true intent as expressed herein.

23. This Sublease (including the exhibits and schedules to it) excludes all conditions, warranties and terms implied by the custom, general law or statute (except ones that by law may not be excluded) and is the entire agreement between the parties about its subject matter and in relation to that subject matter, supersedes any prior understanding or agreement between the parties and condition, warranty, indemnity or representation imposed, given or made by a party.

24. For the purposes of this Sublease, except as otherwise expressly provided herein:

(a) the singular of any term includes the plural and vice versa and the use of any term is equally applicable to any gender and where applicable to a body corporate or other entity;

(b) the word “or” is not exclusive and the words “including” or “include(s)” or words of a similar nature are not limiting (whether or not non limiting language such as “without limitation” or “but not limited to” or other words of similar import are used with reference thereto);

(c) this Sublease may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument once all parties have executed and delivered their respective counterparts;

(d) each reference in this Sublease to a designated Section or to a Schedule, is to the designated Section or Schedule to this Sublease unless otherwise specifically stated;

(e) the headings to the Sections of this Sublease are inserted for convenience only and do not form a part of this Sublease and are not intended to interpret, define or limit the scope, extent or intent of this Sublease or any provision of this Sublease; and

(f) capitalized terms not defined in this Sublease and Business Lease shall have the meanings set out in the Franchise Agreement.

25. The Sublandlord may in the name of and as the irrevocably appointed agent and attorney-in-fact for the Subtenant and on its behalf and without terminating or being deemed to have terminated this Sublease take possession of the Bakery Premises and the business assets of the Subtenant thereon and operate the Bakery Business using the business assets or proceed to lease the Bakery Premises and/or the business assets to any other person or entity on such terms and conditions, for such rent and for such period of time as the Sublandlord may deem fit and receive such rents and hold the same and apply the same against any monies expressed to be payable from time to time by the Subtenant hereunder.

26. The Sublandlord may assign its rights hereunder in whole or in part without notice to the Subtenant and the Subtenant shall be bound by any such assignment according to its terms save that the Subtenant shall in no event raise against any assignee any claims the Subtenant may have against the Sublandlord or its affiliated or associated companies.

27. The Sublandlord may at any time apply any funds it is holding on behalf of the Subtenant or the Bakery Principal, or any money that the Sublandlord may owe the Subtenant or the Bakery Principal, towards the satisfaction of any sum of money that the Subtenant or the Bakery Principal owes the Sublandlord, as the Sublandlord in its discretion may determine. The Sublandlord may also treat any payments received from the Subtenant or the Bakery Principal as payments on account and may apply the amounts received to the payment of any amounts payable by the Subtenant or the Bakery Principal to the Sublandlord in any order of payment that the Sublandlord in its discretion may determine, despite any contrary designations by the Subtenant or the Bakery Principal as to the application of any such payments.

28. The Subtenant and the Bakery Principal may not apply any funds either of them are holding on the Sublandlord's behalf, or any money which either of them may owe the Sublandlord, towards the satisfaction of any sum of money that the Sublandlord may owe either of them.

29. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE LAW.**

30. The Subtenant, the Guarantor(s) and the Bakery Principal authorize the Sublandlord to date this Sublease and to complete the description of the Business Assets in each Schedule with the insertion of serial numbers and other details specifically identifying the Business Assets, and any other particulars in this Sublease, which are not presently completed. The Sublandlord may and the Subtenant shall, if and as directed by the Sublandlord, affix plates, tags or markings to the Business Assets showing the Sublandlord's interest therein. The Subtenant shall not remove, conceal or alter the same.

31. Neither party shall be liable to the other and neither party shall be deemed to be in default for any failure or delay to observe or perform any of the terms and conditions applicable to the party under this Sublease and Business Lease (other than the payment of money) caused or arising out of any act beyond the control of that party, including (but not limited to) fire, flood, lightning, storm and tempest, earthquake, strikes, lock-outs or other industrial disputes, acts of war, acts of terrorism, riots, civil commotion, explosion, malicious damage, government restriction, unavailability of equipment or product, disease and/or virus of epidemic or pandemic proportions or other causes

whether the kind enumerated above or otherwise which are beyond the control of that party and where such failure or delay is caused by one of the events above then all times provided for in this Sublease and Business Lease shall be extended for a period commensurate with the period of the delay.

32. Each of the covenants and obligations, including all payment obligations to be performed by the Subtenant under this Sublease and Business Lease, are essential terms of this Sublease and Business Lease and the time for performance shall be of the essence.

33. The parties to this Sublease and Business Lease shall do such things as are necessary to comply with all relevant legislation and shall use their best endeavors to ensure that the covenants and agreements as contained in this Sublease and Business Lease are enforceable under such legislation. If in the reasonable opinion of the Sublandlord any covenant or agreement does not comply with or is unenforceable or unlawful under any of the said legislation the Sublandlord may require a reasonable amendment or amendments as is enforceable under such legislation.

34. The Subtenant acknowledges that in the negotiations for and prior to having executed this Sublease and Business Lease the Subtenant has carefully read the provisions of the Sublease and Business Lease and has understood them, the Subtenant has been advised to obtain independent advice concerning its intention to enter into this Sublease and Business Lease and to base its decision on that advice and the Subtenant has recognized that the Bakery Business venture contemplated by this Sublease and Business Lease and the Franchise Agreement involves business risks and that its success will be affected by the Subtenant's ability as an independent business person.

35. The Sublandlord in giving advice to and assisting the Subtenant in establishing the COBS Bread System bases its advice and recommendations on experience actually obtained in practice and is not making or giving any representations guarantees or warranties.

36. Except where the contract requires otherwise, each of the obligations and restrictions contained in this Sublease and Business Lease shall be construed as independent of every other obligation and restriction and of every other provision of this Sublease and Business Lease and the existence of any claim or cause of action of the Subtenant against the Sublandlord shall not constitute a defense to the enforcement by the Sublandlord of the said obligations or restrictions or of any of them.

37. Having regard to the background and other provisions of this Sublease and Business Lease each of the restrictive covenants contained in this Sublease and Business Lease is reasonably necessary for the protection of the Sublandlord's Intellectual Property rights and of other subtenants

of the Sublandlord and they do not unreasonably interfere with the freedom or action of the Subtenant.

38. Except as provided otherwise in the by law, all warranties, descriptions, representations and conditions as to fitness or suitability for any purpose, tolerance to any condition, merchantability or otherwise whether of a like nature or not and whether expressed or implied by law, trade, custom or otherwise are expressly excluded. No agent or representative of the Sublandlord is authorized to make any representations, statements, warranties, conditions or agreements not expressly specified and the Sublandlord is not in any way bound by any such representations, statements, warranties, conditions or agreements.

39. The Subtenant acknowledges that the Subtenant has relied upon its own judgment in deciding to proceed with and enter into this Sublease and Business Lease, the Subtenant has made all necessary enquiries from third parties, including its own lawyer and accountant and the Subtenant acknowledges and confirms that the future success of the Bakery Business shall depend upon the business acumen and hard work of the Subtenant.

40. No amendments to this Sublease and Business Lease shall be of any force or effect unless such amendments are recorded, in writing, executed by all parties to this Sublease and Business Lease to be bound by the amendments.

41. The parties agree that the Additional Provisions set out in Item 23 of Schedule A:

(a) bind the parties;

(b) if inconsistent with the terms of this Sublease shall override them;

(c) depart from the Sublandlord's standard sublease and have been agreed by the Sublandlord for the Bakery Business only and shall apply only whilst the Subtenant remains Subtenant and are, therefore, not assignable.

42. The Subtenant agrees to pay or reimburse the Sublandlord for all costs, expenses and fees the Sublandlord incurs in connection with the negotiation, preparation and signing of this Sublease and Business Lease.

[**SIGNATURE PAGES FOLLOW]**

IN WITNESS WHEREOF, the parties hereto have caused this Sublease to be executed as of the Date as described in Item 10 of Schedule A.

COBS USA Inc.

____
Authorized Signatory

EXECUTED AND DELIVERED by **«FRANCHISEENAME»** as the Subtenant, by its member, manager or officer as set out in Item 22 of Schedule A:

____
*****Member1_Name*****

SIGNED, SEALED AND DELIVERED by **«PRINCIPALNAME»**, as Bakery Principal, in the presence of:

____
Witness Signature

____
Witness Name

____
Witness Address

____
«PRINCIPALNAME»

SIGNED, SEALED AND DELIVERED by **«GUARANTOR1NAME»**, as Guarantor, in the presence of:	)	
______________________________ Witness Signature	)	______________________________ «GUARANTOR1NAME»
______________________________ Witness Name	)	
______________________________ Witness Address	)	

SIGNED, SEALED AND DELIVERED by **«GUARANTOR2NAME»**, as Guarantor, in the presence of:	)	
______________________________ Witness Signature	)	______________________________ «GUARANTOR2NAME»
______________________________ Witness Name	)	
______________________________ Witness Address	)	

SCHEDULE A

ITEMS

1. THE SUBTENANT

Name: **«FRANCHISEENAME»**, a company incorporated (limited liability company formed) under the laws of the State of «Franchiseestate»
Address: «Franchiseeregaddress»

2. THE BAKERY PRINCIPAL

Name: **«PRINCIPALNAME»**
Address: «Principaladdress»

3. THE GUARANTORS

Name: **«GUARANTOR1NAME»**
Address: «Guarantor1address»«Guarantor2d»

4. THE BAKERY PREMISES

Address: «Businesspremisesaddress»

5. DATE OF HEAD LEASE

Date: «HeadLeaseDate»

6. THE LANDLORD

Name: «Landlordname»

7. TERM OF HEAD LEASE

Term: «HeadLeaseTerm»

8. COMMENCEMENT DATE OF HEAD LEASE

Commencement Date: «HeadLeaseCommencementDate»

9. DATE OF FRANCHISE AGREEMENT

The day of 20

10. DATE OF SUBLEASE

The day of 20

11. COMMENCEMENT DATE OF SUBLEASE TERM

Commencement Date: «SubleaseCommencementDate»

12. EXPIRY DATE OF SUBLEASE

The earlier of:

(a) the day prior to the date upon which the Head Lease expires (after renewal or extension if renewed or extended, which the Subtenant acknowledges is entirely in the Sublandlord's discretion) or after any period of overholding; or

(b) «Term» years from the Commencement Date of the Sublease.

For the avoidance of doubt the term "renewal or extension" shall include any renewal or extension of the Head Lease whether by virtue of the exercise of an option to renew the Head Lease or by virtue of an agreed renewal or extension of the Head Lease or by virtue of the grant of a new lease in respect of the Bakery Premises.

13. SECURITY DEPOSIT

Amount of Security Deposit: «SecurityDeposit»

14. BUSINESS ASSET RENT

Amount or amounts of Business Asset Rent: «BusinessAssetRent»

15. BAKERY BUSINESS OPTION PRICE

Amount of Bakery Business Option Price: «BakeryBusinessOptionPrice»

16. END DATE OF OPTION PERIOD

End Date: «OptionPeriodEndDate»

17. SAVING AMOUNT

Saving Amount: «SavingAmount»

18. MONTHLY COST OF GOODS

Monthly Cost of Goods will not exceed the following percentage of monthly gross sales: «MonthlyGoodsCostPercentage»

19. MONTHLY WAGES

Monthly Wages will not exceed the following percentage of monthly gross sales: «MonthlyWages»

20. MONTHLY OPERATING PROFIT

Monthly Operating Profit will not be less than the following percentage of monthly gross sales: «MonthlyOperatingProfit»

21. OTHER PERFORMANCE REQUIREMENTS

Other Performance Requirements: «OtherPerformanceRequirements»

22. NAMES OF MEMBER, MANAGER OR OFFICER SIGNING ON BEHALF OF THE SUBTENANT

Member's, Manager's or Officer's Name: **«DIRECTORNAME»**

Officer's Title, if applicable: Not applicable

23. ADDITIONAL PROVISIONS

SCHEDULE B

BUSINESS ASSETS

«EquipmentList»

SCHEDULE C

COPY OF HEAD LEASE

EXHIBIT G

AGREEMENT FOR SALE OF BUSINESS

Agreement for Sale of Business (Cobs Bread to Franchisee)

COBS USA INC.
("Vendor")

and

*****Franchisee1_Name*****
("Purchaser")

and

*****Guarantor1_Name*****
("Guarantor")

and

*****Guarantor2_Name*****
("Guarantor")

The day of 2019

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Agreement for Sale of Business
(Cobs Bread to Franchisee)

This Agreement is dated as of date set out in Item 1 of Schedule "A"

Parties

Vendor:	**COBS USA INC.**, a Delaware corporation having an office at 210 - 369 Terminal Avenue, Vancouver, British Columbia, V6A 4C4. Wherever relevant, the "Vendor" includes the Vendor's officers, employees and any person the Vendor authorises.
Purchaser:	The party named and described in Item 2 of Schedule "A" as the purchaser ("Purchaser")
Guarantor(s):	The party(s) named and described in Item 3 of Schedule "A" as the guarantor(s) ("Guarantor(s)")

Background

A. The Vendor is the owner of the Bakery Business carried on from the Bakery Premises and is also the owner of the Bakery Assets;

B. The Purchaser wishes to become a COBS Bread franchisee and to purchase the Bakery Assets from the Vendor on a going concern basis and on the terms and conditions set out in this Agreement; and

C. The Guarantor(s) has a financial interest in the Purchaser and has agreed to become a party to this Agreement to ensure the performance of the Purchaser's obligations hereunder.

Terms of this Agreement

The parties, intending to be legally bound, agree as follows:

1. Definitions and Interpretation

1.1 Definitions

In this Agreement, the capitalized words or phrases below have the following meanings ascribed to them:

"**Agreement**" means this Agreement for Sale of Business executed by the parties on the date set out in Item 1 of Schedule "A" and includes the Schedules and Annexures hereto;

"**Approval Date**" means the date set out in Item 10 of Schedule "A" or any later date allowed by the Vendor;

“**Bakery Assets**” means the Equipment, Goodwill, Inventory, and Leasehold Improvements, but specifically excludes the Excluded Assets;

“**Bakery Business**” means the retail bakery business known as “COBS Bread” conducted from the Bakery Premises;

“**Bakery Premises**” means the premises described in Item 4 of Schedule “A”;

“**Books and Records”** means all accounts, books, ledgers, files, lists, reports, plans, correspondence, operating records, tax returns and other data and information stored on computer-related or other electronic or paper media, maintained with respect to the Bakery Business;

“**Business Day**” means a calendar day which is not a Saturday, Sunday, or public holiday in the jurisdiction where the Bakery Premises are located;

“**Default Interest Rate**” means the lesser of:

(a) the rate being 4 percentage points higher than the annual rate designated by the Wall Street Journal as its “WSJ Prime Rate" from time to time, or if the Wall Street Journal no longer publishes its WSJ Rate, then the rate being 4 percentage points higher that the annual rate designated by the Franchisor’s principle U.S. bank as its “Prime Rate” from time to time; or

(b) the highest rate permitted by applicable law

“**Disclosure Document**” means a franchise disclosure document prepared by the Franchisor in accordance with applicable legislation;

“**Employees**” means all employees of the Bakery Business as at the day prior to the Possession Date;

“**Equipment**” means all equipment, furniture, fixtures and utensils used in the Bakery Business on the Possession Date and includes the items described in Schedule “B” and any point of sale system used in the Bakery Business and all data and licensed programs and software loaded and/or stored on such point of sale system;

“**Excluded Assets**” means the following property and assets of the Vendor pertaining to the Bakery Business and all documents, books, accounts, records and other information relating to that property and those assets:

(c) all cash, bank balances, money in possession of banks and other depositories, term or time deposits and similar cash or cash equivalents of, owned or held by or for the account of the Vendor;

(d) all shares, notes, bonds, debentures or other securities of or issued by corporations or other persons and all certificates or other evidences of ownership thereof owned or held by or for the account of the Vendor;

(e) all Books and Records, but not including the Historical Sales Data; and

(f) the Intellectual Property.

"**Franchise Agreement**" means the franchise agreement for the operation of the Bakery Business by the Purchaser, to be entered into between the Purchaser, Vendor and Guarantor(s) concurrently herewith;

"**Historical Sales Data**" means the sales data provided by the Vendor to the Purchaser related to the operations of the Bakery Business;

"**Goodwill**" means the goodwill of the Bakery Business as a going concern but excluding any goodwill relating to the Excluded Assets, and including all right, title and interest of the Vendor in, to and in respect of all elements which contribute to the goodwill of the Bakery Business and includes the Historical Sales Data;

"**Intellectual Property**" means the Vendor's trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights, domain names, industrial designs, trade secrets, know-how, recipes, formulae, processes, inventions, technical expertise, research data and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights;

"**Inventory**" means all inventory of the Bakery Business, including raw materials and ingredients (except materials and ingredients in opened containers, packages or cartons), packaging and uniforms, on hand on the Possession Date;

"**Landlord**" means the owner of the Bakery Premises or the party described as the "landlord" in the Lease;

"**Lease**" means the lease in respect of the Bakery Premises described in Item 5 of Schedule "A";

"**Leasehold Improvements**" means those leasehold improvements made to the Bakery Premises by the Vendor and which are owned by the Vendor pursuant to the terms of the Lease;

"**Personal Information**" means information about an individual who can be identified by the Person who holds that information;

"**Possession Date**" means the date set out in Item 9 of Schedule "A";

"**Purchase Price**" means the purchase price for the Bakery Assets, as set out in Section 3;

"**Sales Tax**" means any sales, consumption, use or excise tax imposed by the laws of the jurisdiction in which the Bakery Premises are located;

"**Schedule**" means the schedule(s) attached to this Agreement;

"**Sublease**" means the sublease agreement for the Bakery Premises to be entered into between the Vendor, as sublandlord, the Purchaser, as subtenant, and the Guarantor(s) concurrently herewith; and

"**Training Agreement**" means the training agreement for the Franchisor's training program for the operation of the Bakery Business by the Purchaser, to be entered into between the Vendor and the Guarantor(s) as contemplated by the Franchise Agreement.

1.2 **Interpretations**

For the purpose of this Agreement a reference to:

(a) one gender includes the others;

(b) the singular includes the plural and the plural includes the singular;

(c) a person includes a body corporate;

(d) a party includes the party's executors, administrators, successors and permitted assigns;

(e) any statutory provision includes:

(i) any amended or re-enacted version of it from time to time; and

(ii) any replacement statutory provision;

(f) "including" and similar expressions are not words of limitation;

(g) where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning;

(h) headings do not form part of this Agreement or affect its interpretation;

(i) if an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day;

(j) any obligations imposed upon the Purchaser and the Guarantor(s) will be joint and several obligations of the Purchaser and each Guarantor(s) and if the Purchaser consists of more than one person, this Agreement binds each person separately and any two (2) or more of them jointly and severally; and

(k) any obligation, representation or warranty made in favour of more than one person is for the benefit of them separately and jointly.

2. Agreement to Sell

2.1 The Vendor will sell and the Purchaser will purchase the Bakery Assets effective as of the Possession Date upon and subject to the terms and conditions of this Agreement.

3. Purchase Price

3.1 Subject to any adjustment pursuant to Section 6, the Purchase Price for the Bakery Assets will be the sum of:

(a) for the Equipment, Leasehold Improvements, and Goodwill, the amounts set out in Item 7 of Schedule "A"; and

(b) for the Inventory, an amount equal to the Vendor's cost thereof, based on current prices as at the Possession Date, as determined by a physical count and inventory-taking to be conducted by the Vendor and Purchaser on or immediately prior to the Possession Date.

3.2 The Purchase Price will be payable as set out in Item 8 of Schedule "A".

3.3 All payments made pursuant to this Agreement will be by a certified cheque, bank draft or electronic transfer and paid to or to the order of the Vendor.

3.4 The Purchase Price will be allocated among the Bakery Assets in the manner agreed to by the parties. The Vendor and the Purchasers will file their respective tax returns based upon and in accordance with such allocation and will not make any statements or take any positions on any tax returns in any refund claims or during the course of any audits by any government authority that are inconsistent with such allocation. If and to the extent the Purchase Price is adjusted as contemplated in Section 6 (or otherwise pursuant to this Agreement), then the allocation of the Purchase Price among the Bakery Assets will also be adjusted in accordance with the agreed upon allocation.

4. Taxes

4.1 The Purchase Price is exclusive of any Sales Tax, and any other taxes, fees, duties or similar charges payable in respect of the sale of the Business Assets to the Purchaser, all of which taxes will be the responsibility of the Purchaser and will be paid to the Vendor at the same time and in the same manner as the Purchase Price, subject to Section **Error! Reference source not found.**.

5. Completion and Title

5.1 Completion of the sale and purchase of the Bakery Assets as herein contemplated will occur at 10:00 a.m., local time, on the Possession Date at the Bakery Premises, or at such other time, place and date as may be agreed by the parties.

5.2 Title to and risk of loss of the Bakery Assets will pass to the Purchaser, free from all encumbrances, upon completion of all obligations to be performed by the parties on the Possession Date, without the need for any further conveyancing documents.

5.3 Until the Possession Date, the Bakery Business and Bakery Assets will remain at the Vendor's risk and the Vendor will comply with any notice or order made or issued in respect of the Bakery Business and/or Bakery Premises.

5.4 The Vendor will deliver the Equipment to the Purchaser on the Possession Date in proper working order.

5.5 The Purchaser will not require the Vendor to comply with the bulk sale notice requirements of any applicable state tax authority or any Uniform Commercial Code bulk sale provisions in connection with the completion of the transactions contemplated by this Agreement.

6. Purchase Price Adjustments

6.1 The Purchase Price will be adjusted as at the Possession Date by apportioning accrued and unpaid expenses, and any prepaid expenses, in relation to the Bakery Business which may be assumed by or for the benefit of the Purchaser including, but not limited to:

(a) all occupancy costs relating to the Bakery Premises, including rent, operating costs, licence fees, utilities and similar items;

(b) insurance premiums;

(c) security deposits paid by the Vendor to the Landlord;

(d) any interest payable under Section 12; and

(e) any payments required under Section 7.

6.2 Any dispute as to the adjustments to the Purchase Price will be determined by the independent accountants of the Vendor, whose decision will be final and binding on the parties.

7. Employees

7.1 Effective immediately prior to the Possession Date the Vendor will terminate the employment of all of the Employees.

7.2 The Purchaser will, as soon as practicable after the date of this Agreement but at least seven (7) days prior to the Possession Date send a letter of offer, offering to employ all the Employees at the Bakery Premises effective as of and from the Possession Date and on terms and conditions which are substantially the same as their then current terms of employment with the Vendor. If the Purchaser does not intend to hire all of the Employees at the Bakery Premises, the Purchaser will list in Item 11 of Schedule “A” the names of the current employees not to be offered employment. The Purchaser will treat the period of employment with the Vendor for all Employees hired by the Purchaser, as employment or engagement with the Purchaser for all purposes.

7.3 The Vendor will be responsible for and pay all wages, vacation pay and other benefits, payroll and withholding taxes and other amounts payable in respect of the employment of the Employees up to the Possession Date.

7.4 The Purchaser will be responsible for and pay all wages, vacation pay and other benefits, payroll and withholding taxes and other amounts payable in respect of the employment of all Employees who accept the Purchaser’s offer of employment arising from and after the Possession Date, and will indemnify the Vendor against all claims and demands by such Employees (or any governmental authority) in respect of or relating to their employment with the Purchaser from and after the Possession Date.

7.5 The Vendor may, at its option, continue the employment of any Employee who elects not to accept employment with the Purchaser, at any other location of the Vendor.

7.6 The collection, use and disclosure of Personal Information by any of the parties prior to the Possession Date is restricted to those purposes that relate to the transactions contemplated by this Agreement. Following the Possession Date the Purchaser will use and disclose all Personal Information included in the Bakery Business only for the purposes for which it was initially collected by the Vendor, and will retain such Personal Information only for as long as it is required for such purposes, after which it will be destroyed.

8. Finance

8.1 If Item 10 of Schedule "A" has been completed, this Agreement is subject to the Purchaser's lender approving the loan for the purchase of the Bakery Business on reasonable commercial terms by the Approval Date.

8.2 The Purchaser may terminate this Agreement pursuant to Section 11 without any further obligation if the loan is not approved by the Approval Date, but only if the Purchaser:

(a) has made immediate application for the loan;

(b) has done everything reasonably required to obtain approval of the loan; and

(c) is not in default under any other provision of this Agreement when the notice of termination is given to the Vendor.

9. Vendor's Warranties

9.1 The Vendor warrants to the Purchaser that:

(a) it has good title to the Bakery Assets and there are no legal restrictions on its ability to sell the Bakery Assets to the Purchaser;

(b) on the Possession Date the Bakery Assets will be free of any mortgage, charge or lien;

(c) the Bakery Premises can be lawfully used for the conduct of the Bakery Business;

(d) from the date hereof to the Possession Date, unless the Purchaser is already operating the Bakery Business under an existing Agreement with the Vendor, the Vendor will maintain the goodwill of the Bakery Business and carry on the Bakery Business in the ordinary course; and

(e) other than the Franchise Agreement, the Sublease and the Excluded Assets, the Bakery Assets comprise all assets necessary for the Purchaser to carry on the Bakery Business. Notwithstanding the foregoing, it is the sole responsibility of the Purchaser to ensure compliance with all laws and to obtain all applicable permits and licenses to operate the Bakery Business.

10. Purchaser's and Guarantor's Warranties

10.1 The Purchaser warrants to the Vendor that:

(a) the Purchaser is duly [incorporated][formed] and organized and has all necessary [corporate][limited liability company] power, capacity and authority, and is duly licensed or registered where required, to enter into this Agreement, the Franchise Agreement and the Sublease and to carry on the Bakery Business as herein contemplated;

(b) in making its decision to purchase the Bakery Assets and enter into the Franchise Agreement and Sublease it has relied solely on its own investigations, observations and enquiries and it has not relied on any conduct, representations, warranties or statements made by the Vendor or its employees, officers, agents or representatives except as expressly set out in this Agreement and in the Franchise Agreement, the Sublease and the Franchise Disclosure Document;

(c) it has received from the Vendor its Disclosure Document;

(d) the Guarantor(s) is a [Title] and major equity interest holder of the Purchaser; and

(e) it will use its best endeavors to ensure that the Guarantor(s) enter into the Training Agreement and undertake the Franchisor's training program.

10.2 The Guarantor(s) warrants to the Vendor that it will enter into the Training Agreement and use its best endeavors to expeditiously and satisfactorily complete the Franchisor's training program.

11. Right to Terminate

11.1 The Purchaser will be entitled to terminate this Agreement prior to the Possession Date and obtain a refund of any portion of the Purchase Price it has paid to the Vendor if:

(a) at least ten (10) Business Days prior to the Possession Date the Vendor has not obtained a valid and subsisting Lease of the Bakery Premises and, where required, the Landlord's consent to the Sublease of the Bakery Premises; or

(b) the Purchaser's loan has not been approved by the Purchaser's lender by the Approval Date and the Purchaser has complied with its obligations specified in Section 8.2.

11.2 To exercise its right to terminate this Agreement pursuant to Section 11.1 the Purchaser must serve upon the Vendor a written notice of its intention to terminate this Agreement by no later than 5:00 p.m. local time on the date which is not less than ten (10) Business Days prior to the Possession Date.

11.3 The Vendor will be entitled to terminate this Agreement on or before the Possession Date if:

(a) the Franchise Agreement, the Sublease or the Training Agreement is terminated by the Vendor for any reason;

(b) the Purchaser's loan has not been approved by the Purchaser's lender by the Approval Date; or

(c) the Landlord has not granted its consent to the Sublease, if required under the Lease, at least ten (10) Business Days prior to the Possession Date.

11.4 To exercise its right to terminate this Agreement pursuant to Section 11.3 the Vendor must deliver to the Purchaser written notice of termination promptly following the occurrence of any of the events listed in Section 11.3. In the event of termination pursuant to Sections 11.3(b)or 11.3(c), the Vendor will refund any portion of the Purchase Price previously paid to the Vendor by the Purchaser.

12. Default

12.1 Subject to Section 12.2, if the Purchaser defaults in the payment of any money payable to the Vendor pursuant to this Agreement on or after the Completion Date, the Vendor may sue for the unpaid money immediately, without negotiating, mediating or arbitrating, without giving notice and without affecting any other right.

12.2 If either party defaults, the other party may demand:

(a) reasonable expenses incurred as a result of the default,

(b) interest on any money overdue during the period of default at the Default Interest Rate.

12.3 If either party defaults, the other party may serve a notice which:

(a) specifies the default;

(b) outlines the reasonable expenses attributable to the default;

(c) allows not less than five (5) Business Days for the remedy of the default and payment; and

(d) states the rights under Sections 12.4 to 12.6 (as applicable) which the party serving the notice intends to exercise if the default is not remedied.

12.4 If the Purchaser has defaulted, the Vendor may in the notice state that, unless the default is remedied, all money owing under this Agreement which is not yet due for payment is now due. If the notice is not complied with then that money becomes due and payable and the Purchaser must pay any reasonable expenses attributable to the default.

12.5 If the Vendor terminates this Agreement pursuant to Section 11.3(a) or otherwise due to the Purchaser's failure to complete the transactions herein contemplated on the Possession Date, the Vendor may keep any portion of the Purchase Price paid and either:

(a) resell the Bakery Assets by public auction or private contract and sue the Purchaser for all reasonable expenses and any deficiency in the Purchase Price on resale; or

(b) retain the Bakery Assets and sue the Purchaser for damages for breach of contract.

12.6 If the Purchaser terminates this Agreement pursuant to this Section 12, the Vendor must repay any money paid by the Purchaser, and pay the reasonable expenses attributable to the default.

13. Guarantee and Indemnity

13.1 The Guarantor(s) acknowledges that he or she has a financial interest in the Purchaser and that the Vendor would not be prepared to enter into this Agreement with the Purchaser unless the Guarantor(s) gave such acknowledgment and this guarantee and indemnity.

13.2 In consideration of the Vendor entering into this Agreement with the Purchaser and for other consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Guarantor(s), the Guarantor(s) each jointly and severally:

(a) guarantees to the Vendor that the Purchaser will perform all of the obligations imposed on the Purchaser under this Agreement;

(b) agrees that if the Purchaser breaches any obligations imposed on the Purchaser under this Agreement he or she will:

(i) indemnify the Vendor against all claims and for all losses, damages, costs and expenses the Vendor sustains or incurs as a result of any such breach of this Agreement; and

(ii) pay to the Vendor any money that the Purchaser is obliged to pay the Vendor under this Agreement which has not been paid;

(c) agrees that his or her obligations under this Section 13 are unconditional and irrevocable and will continue until the Purchaser fulfils all obligations imposed on the Purchaser under this Agreement whether before or after termination;

(d) agrees that any payment made by or on behalf of the Purchaser to the Vendor which is later avoided or reversed under any law will be deemed not to have been made so that the Guarantor(s)' obligation to the Vendor will be restored to the position that would have existed if such payment was not made;

(e) agrees that his or her claims against the Purchaser are subordinate and that he or she will not prove or claim against the Purchaser or in any liquidation, dissolution or winding-up of the Purchaser until the Vendor has received 100 cents on the dollar in respect of all money owed by the Purchaser to the Vendor;

(f) waives all benefits of division and discussion and all rights to notice and disclosure and any rights for demand, presentment for payment, notice of non-payment, protest, notice of protest and notice of dishonour prior to this guarantee and indemnity becoming enforceable; and

(g) agrees that this guarantee and indemnity is intended to be and to take effect as a sealed instrument of each of the Guarantor(s) for all purposes.

13.3 The Vendor's right to enforce Section 13.2 against the Guarantor(s), or any of them, will not be affected in any way if:

(a) the Vendor has any dealings with or grants any concession or indulgence to the Purchaser or the Guarantor(s) or any of them;

(b) the Vendor releases the Purchaser wholly or in part from any obligation under this Agreement;

(c) the Vendor releases any Guarantor(s) or any security wholly or in part from any obligation under this Agreement;

(d) this Agreement is varied, amended or extended in any way;

(e) there has been any assignment of any parties' rights and obligations under this Agreement;

(f) this Agreement is terminated for any reason;

(g) any money the Purchaser is required to pay or any security provided under this Agreement may become uncollectible or unenforceable;

(h) the Vendor fails to or delays in suing the Purchaser or any Guarantor(s) in respect of any breach of the provisions of this Agreement;

(i) a Guarantor(s) dies, or becomes disabled, incapacitated, or becomes bankrupt or insolvent or enters into any proposal, general assignment for the benefit of creditors, composition or arrangement under applicable bankruptcy legislation;

(j) the Purchaser is or commences any proceedings to become liquidated, wound up or dissolved or otherwise ceases to exist;

(k) the Purchaser is insolvent or bankrupt or a receiver or receiver-manager or other custodian of all or substantially all of the Purchaser's assets is appointed, or the Purchaser enters into any proposal, general assignment for the benefit of creditors, composition or arrangement under applicable bankruptcy legislation;

(l) this Agreement becomes void or unenforceable against the Purchaser or any Guarantor(s); or

(m) the Vendor is in breach of or has not fulfilled any portion of this Agreement.

14. Time of the Essence

14.1 Time will be of the essence of this Agreement.

15. Legal Costs

15.1 The Purchaser and Guarantor(s) will pay or reimburse the Vendor's legal costs associated with the preparation, negotiation and completion of this Agreement, the Franchise Agreement, the Sublease and any other agreement entered into with respect to the Bakery Business.

15.2 The Purchaser and Guarantor(s) will each bear their own legal costs associated with the negotiation and completion of this Agreement, the Franchise Agreement, the Sublease and any other agreement entered into with respect to the Bakery Business.

16. Waiver

16.1 A failure of any party at any time to insist on performance of any provision of this Agreement is not a waiver of that party's rights to insist on performance of any other provision of this Agreement or of that provision in any other circumstance.

17. Notices

17.1 Any notice to be given by the Purchaser or Guarantor(s) to the Vendor under this Agreement must be in writing and must be delivered in person or by facsimile transmission to the address or facsimile number of the Vendor set out in this Agreement or the Schedule. Any notice delivered by the Purchaser or Guarantor(s) to the Vendor pursuant to the preceding sentence will be deemed to have been given and received, if delivered in person, on the date of delivery or, if sent by facsimile, on the next Business Day after the facsimile transmission.

17.2 Any notice to be given by the Vendor to the Purchaser or Guarantor(s) under this Agreement must be in writing and may be delivered in person or by facsimile transmission to the address or facsimile number of the Purchaser or Guarantor(s) (as the case may be) set out in the Schedule. Any notice delivered by the Vendor to the Purchaser or Guarantor(s) pursuant to the preceding sentence will be deemed to have been given and received, if delivered in person, on the date of delivery or, if sent by facsimile, on the next Business Day after the facsimile transmission.

18. Severability

The parties agree:

(a) to apply a construction of each provision of this Agreement that creates a legal and enforceable provision;

(b) that any illegal or unenforceable provision will be severed from this Agreement and will not affect the continued operation of the remaining provisions; and

(c) to use their best endeavours to replace any severed provision having a commercial import with a provision as close as possible to the severed provision.

19. Entire Agreement

This Agreement:

(a) excludes all conditions, warranties and terms implied by custom, common law or statute (except ones that by law may not be excluded);

(b) is the entire agreement between the parties with respect to the sale and purchase of the Business Assets;

(c) in relation to that subject matter, supersedes any prior:

(i) understanding or agreement between the parties; and

(ii) term, condition, warranty, indemnity or representation imposed upon, given or made by a party, except as set forth in the Franchise Disclosure Document.

20. Choice of Law

This Agreement will be governed by and construed in accordance with the laws of the State of New York, without reference to its or any other jurisdiction's conflicts of law. The parties agree that any franchise law, business opportunity law or consumer protection act of the State of New York, now in effect or adopted or amended after the date of this Agreement, will not apply to franchises located outside the State of New York by virtue of this choice of law, unless they fall within the specific scope of that law. All of the provisions in Part 12 (Resolutions of Disputes) of the Franchise Agreement between the parties are incorporated into this Agreement by reference, including the exceptions to the dispute notice, negotiation, mediation and arbitration. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE LAW.**

21. Benefit of Agreement

The provisions of this Agreement will enure to the benefit of and be binding upon the parties and their respective representatives, successors and permitted assigns.

22. Further Assurances

Each party must:

(a) do or cause to be done all acts and things necessary or desirable to give effect to the provisions of this Agreement; and

(b) refrain from doing all acts and things that could hinder performance by any party of the provisions of this Agreement.

23. Amendments

This Agreement may only be varied, supplemented or replaced by a document in writing executed by each of the parties to be bound.

24. No Assignment

This Agreement is personal to the Purchaser and Guarantor(s) and except as otherwise expressly permitted herein, neither this Agreement nor any of the rights or obligations hereunder may be assigned, licensed, transferred, conveyed or shared in any way with any other person without the prior written consent of the Vendor, which it may withhold in its sole discretion. The Vendor may assign this Agreement at any time.

25. Survivorship of Terms

The terms, provisions, covenants, conditions and obligations contained in this Agreement which, by their nature or terms, require their performance by the Vendor or the Purchaser or the Guarantor(s) after the completion of the sale and purchase of the Bakery Assets or after the termination of this Agreement will be and remain valid and enforceable notwithstanding such completion or such termination of this Agreement for any reason whatsoever.

SIGNING PAGE

As evidence of their intent to be legally bound, the parties hereto have caused this Agreement to be executed as of the Date as described in Item 1 of Schedule "A".

COBS USA INC.)

By: ______________________________)
Authorized Signatory)

EXECUTED AND DELIVERED by *****Franchisee1_Name*****)

By: ______________________________)
Its Name)

SIGNED, SEALED and DELIVERED by *****Guarantor1_Name***** in the presence of:)

______________________________)
Witness Signature)

______________________________)
Witness Name)

______________________________)
Witness Address)

______________________________)

____
*****Guarantor1_Name*****

SIGNED, SEALED and DELIVERED by *****Guarantor2_Name***** in the presence of:)

______________________________)
Witness Signature)

______________________________)
Witness Name)

______________________________)
Witness Address)

______________________________)

____
*****Guarantor2_Name*****

SCHEDULE "A"

ITEMS

1. DATE OF AGREEMENT

The day of 2019

2. PURCHASER

*****Franchisee1_Name*****
of ***Franchisee1_Address/Fax***

3. GUARANTOR(S)

*****Guarantor1_Name*****
Guarantor1_Address/Fax

*****Guarantor2_Name*****
Guarantor2_Address/Fax

4. BUSINESS PREMISES

Shop No.: ***Shop***

Address: ***Business_Address***

5. LEASE

Between ***Landlords_Name***, and COBS US Inc. dated ***Lease_Date***

6. BUSINESS ASSETS

Equipment - See Schedule “B”

7. PURCHASE PRICE

Equipment - $***Equipment_Price***

Leasehold Improvements - $***Leasehold_ImprovementsPrice***

Goodwill - $***Goodwill_Price***

8. PAYMENT

The Purchase Price will be payable as follows:

Deposit $***Deposit***

Possession Date	$***PossessionDate***
Total	$***Total_Payment***

9. POSSESSION DATE

The day of 2019

10. LENDER APPROVAL DATE

Lender_Approval_Date

11. LIST OF EMPLOYEES NOT TO BE HIRED BY PURCHASER

Employee_List

12. FAX NUMBER OF VENDOR

(604) 294-6400

SCHEDULE "B"

EQUIPMENT SCHEDULE

EXHIBIT H

AGREEMENT OF COMMITMENT

Agreement of Commitment

DATE OF FRANCHISE AGREEMENT:	
FRANCHISEE:	*****Franchisee1_Name*****
BAKERY NAME:	***Business_Name _Area***
ADDRESS OF BAKERY PREMISES:	***Business_Premises_Address***
BAKERY NO.	***Bakery Number***

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Page

AGREEMENT OF COMMITMENT

PARTIES

FRANCHISOR:

COBS USA INC. a Delaware company having an office at 210 - 369 Terminal Avenue, Vancouver, British Columbia, V6A 4C4 (the "Franchisor"). Wherever relevant, the "Franchisor" includes the Franchisor's officers, employees and any person the Franchisor authorizes.

FRANCHISEE:

The person described as the Franchisee in Item 2 of the Schedule.

GUARANTOR:

The person described as the Guarantor in Item 3 of the Schedule.

BACKGROUND

A. The Franchisee and the Guarantor have requested that the Franchisor grant to the Franchisee a franchise to conduct the Bakery Business.

B. The Franchisee and the Guarantor acknowledge that the Franchisor has negotiated the commercial terms for a lease of the Proposed Bakery Premises (subject to the Franchisor finding a franchisee) but has not finalised the terms of the lease in respect of the Proposed Bakery Premises with the Landlord.

C. Subject to the Franchisee and the Guarantor executing this Agreement and relying upon the representations contained in this Agreement, the Franchisor intends to finalise the lease terms with the Landlord and enter into a lease with the Landlord in respect of the Proposed Bakery Premises.

AGREEMENT

The parties, intending to be legally bound, agree as follows:

PART 1
DEFINITIONS & INTERPRETATION

1. In this Agreement, the words or phrases that have been capitalised below have the meanings ascribed to them.

Agreement:

means this Agreement of Commitment executed by the parties on the date set out in Item 1 of the Schedule and includes the schedules and exhibits.

Bakery Business:

means the retail hot bread outlet known as "COBS Bread" to be conducted from the Proposed Bakery Premises.

Business Day:

means a day, which is not Saturday, Sunday, or a public holiday in the state in which the Proposed Bakery Premises is or will be located.

Business Entity:

means a corporation, a limited liability company, a partnership, a limited partnership, a limited liability partnership or any other type of entity formed for the purpose of operating a business or holding assets.

COBS Bread System:

means the COBS Bread retail bakery system developed by the Franchisor which the Franchisor is improving and modifying from time to time and which is more fully described in the COBS Bread Franchise Agreement.

Commitment Fee:

means the fee set out in Item 4 of the Schedule.

Franchise Agreement:

means the Franchisor's current form of franchise agreement.

Landlord:

means the owner of the Proposed Bakery Premises.

Project Administration Fee:

means the sum specified in Item 5 of the Schedule.

Proposed Bakery Premises:

means the premises described in Item 6 of the Schedule.

Sales Tax:

means any sales, consumption, use or excise tax imposed by the laws of the jurisdiction in which the Bakery Premises are or will be located.

Sublease:

means the Franchisor's current sublease from time to time.

2. For the purpose of this Agreement:

(a) a reference to:

(1) one gender includes the others;

(2) the singular includes the plural and the plural includes the singular;

(3) a person includes a body corporate;

(4) a party includes the party’s executors, administrators, successors and permitted assigns;

(b) any statutory provision includes:

(1) any amended or re-enacted version of it from time to time; and

(2) any replacement statutory provision;

(3) “including” and similar expressions are not words of limitation;

(c) where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning;

(d) headings do not form part of this Agreement or affect its interpretation;

(e) if an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day;

(f) any obligations imposed upon the Franchisee and the Guarantor will be joint and several obligations and if the Franchisee or the Guarantor consist of more than one person, this Agreement binds each person separately and any two or more of them jointly; and

(g) any obligation, representation or warranty made in favour of more than one person is for the benefit of them separately and jointly.

PART 2
COMMITMENT FEE

3. The Franchisee will pay to the Franchisor upon the signing of this Agreement the Commitment Fee. The Commitment Fee will only be refundable in the circumstances set out in Section 9,

otherwise if the Franchisor finalises the terms of a lease in respect of the Proposed Bakery Premises with the Landlord, the Commitment Fee will be credited towards amounts payable by the Franchisee to the Franchisor under the Franchise Agreement.

PART 3
FRANCISEE'S AND GUARANTOR'S PROMISES AND ACKNOWLEDGEMENTS

4. Subject to the conditions in Section 7 being satisfied, the Franchisee agrees that it will enter into a Franchise Agreement, a Sublease and such ancillary documents as may be required by the Franchisor for the Franchisee to conduct the Bakery Business.

5. The Franchisee and the Guarantor will provide such information, documents and assistance reasonably required by the Franchisor to enable the Franchisor to negotiate and finalise the lease terms and to secure a lease of the Proposed Bakery Premises with the Landlord.

6. The Franchisee and the Guarantor will pay to the Franchisor immediately upon demand the following costs:

   (a) the Franchisor’s legal and/or administrative costs associated with the preparation, negotiation and execution of this Agreement;

   (b) the Franchisor’s legal and/or administrative costs associated with the preparation, negotiation and execution of the lease of the Proposed Bakery Premises; and

   (c) the Landlord’s legal and/or administrative costs associated with the negotiation and execution of the lease of the Proposed Bakery Premises (if any).

7. The grant of a franchise to conduct the Bakery Business will be entirely at the Franchisor’s discretion and if the Franchisor agrees to the grant of the franchise to conduct the Bakery Business to the Franchisee it will be subject to and conditional upon:

   (a) the Franchisor finalizing the lease terms and the entering into a lease of the Proposed Bakery Premises with the Landlord;

   (b) the Franchisee satisfying the Franchisor’s conditions in respect of the granting of franchises, including those set out in the Franchise Agreement, specifically (the Franchisee successfully completing the COBS Bread training program and paying the initial franchise purchase fee and other establishment costs payable by the Franchisee to the Franchisor under the Franchise Agreement). If the Franchisee does not satisfy these conditions, the Franchisor may offer the franchise to conduct the Bakery Business from the Proposed Bakery Premises to another party;

(c) the Franchisee receiving from the Franchisor a copy of the draft lease of the Proposed Bakery Premises, if available;

(d) the Franchisee receiving from the Franchisor a copy of its Franchise Disclosure Document, including its standard form of Franchise Agreement;

(e) the Franchisee and Guarantor having been given the opportunity to seek legal advice with respect to the Franchisee and Guaranty Agreement prior to signing it;

(f) the fact that this Agreement does not constitute a Franchise Agreement or an agreement to enter into a Franchise Agreement; and

(g) the fact that this Agreement does not constitute a lease or an agreement to enter into a lease.

PART 4 FRANCHISOR'S PROMISES

8. The Franchisor will use reasonable endeavors to:

(a) negotiate and finalize with the Landlord, the terms of a lease in respect of the Proposed Bakery Premises

(b) obtain occupation of the Proposed Bakery Premises to enable the Proposed Bakery Premises to be fitted and equipped.

9. If the Franchisor is unable to finalize the terms of a lease of the Proposed Bakery Premises with the Landlord the Franchisor will refund the Commitment Fee to the Franchisee less the Project Administration Fee.

10. If the Franchisor finalizes the terms of a lease in respect of the Proposed Bakery Premises and the Franchisee does not execute the Franchisor’s Franchise Agreement and Sublease within 30 days of the Franchisor submitting the documents to the Franchisee, the Franchisee agrees that the Franchisor may retain the Commitment Fee.

PART 5
GUARANTEE AND INDEMNITY

11. The Guarantor acknowledges that the Guarantor has a financial interest in the Franchisee and that the Franchisor would not be prepared to enter into this Agreement with the Franchisee unless the Guarantor gave such acknowledgment.

12. In consideration of the Franchisor entering into this Agreement with the Franchisee, the Guarantor:

(a) guarantees to the Franchisor that the Franchisee will perform all of the obligations imposed on the Franchisee under this Agreement;

(b) agrees that if the Franchisee breaches any obligations imposed on the Franchisee under this Agreement the Guarantor will:

(1) indemnify the Franchisor for all losses the Franchisor sustains as a result of any such breach of this Agreement; and

(2) pay to the Franchisor any money that the Franchisee is obliged to pay the Franchisor under this Agreement which has not been paid;

(c) agrees that the Guarantor's obligations under this clause will continue until the Franchisee fulfils all obligations imposed on the Franchisee under this Agreement whether before or after termination;

(d) agrees that any payment made by or on behalf of the Franchisee to the Franchisor which is later avoided or reversed under any law will be deemed not to have been made so that the Guarantor's obligation to the Franchisor will be restored to the position that would have existed if such payment was not made;

(e) agrees that the Guarantor will not prove or claim in any liquidation of the Franchisee until the Franchisor has received 100 cents on the dollar in respect of all money owed by the Franchisee to the Franchisor.

13. The Franchisor's right to enforce Section 12 against the Guarantor will not be affected in any way if:

(a) the Franchisor grants any concession or indulgence to the Franchisee or any Guarantor;

(b) the Franchisor releases the Franchisee or any Guarantor wholly or in part from any obligation under this Agreement;

(c) this Agreement is varied or extended in any way;

(d) there has been any assignment of any parties' rights and obligations under this Agreement;

(e) this Agreement is terminated;

(f) any money the Franchisee is required to pay under this Agreement becomes unenforceable;

(g) the Franchisor fails to or delays in suing the Franchisee in respect of any breach of the provisions of this Agreement;

(h) any Guarantor dies, or becomes disabled, incapacitated, insolvent or becomes bankrupt;

(i) if the Franchisee is a Business Entity, it declares itself or is declared bankrupt or becomes insolvent, or if a receiver or receiver-manager or other custodian of all or substantially all of the Franchisee's assets is appointed, or if the Franchisee or the Bakery Principal makes a general assignment for the benefit of its creditors or enters into a composition or arrangement with its creditors or files a proposal under any bankruptcy or similar legislation, or if the Franchisee commences any proceedings to wind up or liquidate or dissolve its business;

(j) if the Franchisee is a natural person, the Franchisee dies, or becomes disabled, incapacitated, insolvent or bankrupt;

(k) any Guarantor named in this Agreement fails to execute this Agreement; or

(l) this Agreement becomes void or unenforceable against any other Guarantor.

PART 6
MISCELLANEOUS SECTIONS

Further Assurances

14. Each party must:

(a) do or cause to be done all acts and things necessary or desirable to give effect to the provisions of this Agreement.

(b) refrain from doing all acts and things that could hinder performance by any party of the provisions of this Agreement.

Entire Agreement

15. This Agreement:

(a) excludes all conditions, warranties and terms implied by custom, general law or statute (except ones that by law may not be excluded).

(b) is the entire agreement between the parties about its subject matter.

(c) in relation to that subject matter, supersedes any prior:

(1) understanding or agreement between the parties; and

(2) condition, warranty, indemnity or representation imposed, given or made by a party except as provided in the Franchise Disclosure Document.

Amendments

16. This Agreement may only be varied, supplemented or replaced by a document, in writing, executed by each of the parties to be bound.

Taxes

17. The Franchisee will pay to the Franchisor, as and when due, all Sales Taxes and other taxes, fees or duties of any kind from time to time imposed by any governmental authority upon or required to be collected by, the Franchisor on account of any goods or services furnished to the Franchisee, by sale, lease or otherwise, in connection with this Agreement.

Payment and Currency

18. Any money to be advanced, paid or tendered by Franchisee under this Agreement must be advanced, paid or tendered by bank draft, certified cheque or wire transfer of immediately available funds payable to the Franchisor. Unless otherwise specified, the word “dollar” and the “$” sign refer to United States dollars, and all amounts to be advanced, paid, or tendered under this Agreement are to be advanced, paid, or tendered in United States dollars.

Choice of Law and Jurisdiction

19. This Agreement will be governed by and construed in accordance with the laws of the State of New York or, where applicable law requires, the laws of the State in which you reside. The parties agree that any franchise law, business opportunity law or consumer protection act of the State of New York, now in effect or adopted or amended after the date of this Agreement, will not apply to franchises located outside the State of New York by virtue of this choice of law, unless they fall within the specific scope of that law. The parties submit to the jurisdiction of the courts in the County or New York, New York or in the county where you reside and waive any right to object to either location being inconvenient. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE LAW.**

Severance

20. The parties agree:

(a) to apply a construction of each provision of this Agreement that creates a legal and enforceable provision.

(b) that any illegal or unenforceable provision will be severed from this Agreement and will not affect the continued operation of the remaining provisions.

(c) use their best endeavours to replace any severed provision with a provision having a commercial import as close as possible to the severed provision.

Waiver

21. A failure of any party at any time to insist on performance of any provision of this Agreement is not a waiver of that party's rights to insist on performance of that or any other provision of this Agreement.

Notices

22. Any notice that is required to be given under this Agreement must be in writing. Such notice may be:

(a) hand delivered – in which case the notice will be deemed to have been received once it has been delivered;

(b) transmitted by facsimile, email or other electronic means if the recipient has facilities for the receipt of documents by such means – in which case the notice will be deemed to have been given at 9:00 a.m. local time for the recipient on the next business day following the date of transmission;

(c) mailed by certified or registered mail – in which case the notice will be deemed to have been given at 5.00 pm local time for the recipient on the second business day following the date of posting, if being mailed domestically, and on the fifth business day following the date of posting, if being mailed internationally. No mailing will be made if at the date of mailing there is any labour dispute, strike or lockout affecting mail service in the geographic area in which the item is mailed or is intended to be received.

23. Notices to be given to the Franchisor by the Franchisee, the Bakery Principal or the Guarantors must be delivered, transmitted or mailed to the Franchisor's office set out in the preamble or, if the Franchisor specifies a different office in writing, such other office.

24. Notices to be given to the Franchisee by the Franchisor may be delivered, transmitted or mailed to either the Franchisee's last known address or, provided this Agreement has not expired or been terminated, the Bakery Premises.

25. Notices to be given to the Bakery Principal by the Franchisor may be delivered, transmitted or mailed to either his or her last known address or, provided this Agreement has not expired or been terminated, the Bakery Premises.

26. Notices to be given to the Guarantors by the Franchisor may be delivered, transmitted or mailed to the last known address of the Guarantors, respectively.

Cumulative Rights

27. All rights and remedies given to the Franchisor in this Agreement and by law and equity will be cumulative and not exclusive, and may be exercised or enforced by the Franchisor separately or together and in any order. No claim by the Franchisee that the Franchisor is in default under any provision of this Agreement will be a defence to a claim by the Franchisor for or in respect of any payments owing or obligations under this Agreement by the Franchisee.

Verification Rights and Credit Checks; Personal Information Privacy

28. The Franchisor, or its designee, may at any time conduct credit checks and investigative background searches of the Franchisee, its principals and Guarantors and where applicable, each Guarantor hereby consents to the Franchisor conducting such credit checks and investigative background searches and to the information provider disclosing such information to the Franchisor, and the Franchisee agrees to obtain and provide all required permission from all

other required parties regarding such credit checks and other investigative background searches upon the Franchisor's request. The Franchisor, or its designee, is authorized to conduct investigative background searches, as necessary, which may reveal information about the Franchisee's, its principal's and Guarantors' business experience, educational background, criminal record, civil judgments, property ownership, liens, association with other individuals, and job performance.

29. The Franchisor hereby discloses that whenever it collects or receives personal information about identifiable individuals from the Franchisee and its principals and, where applicable, its Guarantors, such personal information will only be used for legal or business purposes connected with the COBS Bread System, or this Agreement and its enforcement, and such personal information will only be disclosed:

(a) to the public as contact information relating to the COBS Bread System, or as required in legal filings or in delivery of legally required documents, such as franchise disclosure documents, securities filings, or filings required as a result of legal or administrative proceedings;

(b) to parties within the COBS Bread System, including to suppliers of goods or services;

(c) to prospective franchisees who inspect reports or information received from the Franchisee pertaining to the franchised business, or portions thereof or extracts therefrom which the Franchisor is legally required to make available for inspection as substantiating information for items contained in the Franchisor's franchise disclosure documents;

(d) to the Franchisor's professional advisors, affiliates, lenders, or to parties with whom it contracts for purposes related to the franchised business or the COBS Bread System; or

(e) to prospective purchasers or a purchaser of the COBS Bread System.

30. Whenever the Franchisor discloses personal information to such parties who are outside the COBS Bread System, it will take commercially reasonable steps to obtain assurances from such parties that the personal information disclosed will only be used for the intended purpose, will, to the extent it is not publicly available, be safeguarded as confidential, will only be retained for so long as reasonably required for the intended purpose, and thereafter will be destroyed.

31. The Franchisor will only retain the personal information for so long as it is required for legal or business purposes, and will, to the extent it is not publicly available, safeguard it as confidential, except for the uses and disclosures set forth above, and thereafter it will be destroyed.

32. The Franchisor will not use the personal information for any other purposes or disclose it to any other parties without first obtaining such further consents as are required under applicable law.

33. The Franchisee, and where applicable, each Guarantor, hereby consents to the Franchisor using and disclosing all personal information collected or received, as set forth above.

34. The Franchisee agrees to obtain and provide to the Franchisor all required consents from its principals and employees to the disclosure of personal information by the Franchisee to the Franchisor for such uses and further disclosures, as set forth above.

35. The covenants in Sections 31 to 37 will also extend to cover and bind each director, manager, officer and equity interest holder of the Franchisee who has in any capacity affixed his or her signature to this Agreement.

Covenant to Execute Further Documents or Acts

36. The parties will acknowledge, execute and deliver all such further documents, instruments or assurances and to perform all such further acts or deeds as may be reasonably required from time to time in order to carry out the terms and conditions of this Agreement in accordance with their true intent.

Counterparts

37. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together constitute one and the same instrument.

No Assignment

38. This Agreement is personal to the Franchisee and neither it nor any of the rights or obligations under it may be assigned, sublicensed, transferred, conveyed or shared in any way with any other person without the Franchisor's prior written consent, which may be withheld in the Franchisor's sole discretion. The Franchisor may assign this Agreement at any time.

SCHEDULE

Item Number	**Subject Matter**
Item 1	**Date of this Agreement**
	The day of 2019
Item 2	**The Franchisee**
	*****Franchisee1_Name***** ***Franchisee1_Address***
Item 3	**The Guarantor**
	*****Guarantor1_Name***** ***Guarantor1_Address***
	*****Guarantor2_Name***** ***Guarantor2_Address***
Item 4	**Commitment Fee**
	$***Commitment_fee*** plus applicable taxes.
Item 5	**Project Administration Fee**
	$1,000 plus applicable taxes
Item 6	**The Proposed Bakery Premises**
	Business_Premises_Address

SIGNING PAGE

As evidence of their intent to be legally bound, the parties hereto have caused this Agreement of Commitment to be executed as of the Date as described in Item 1

COBS USA Inc.

By: ______________________________
Authorized Signatory

EXECUTED AND DELIVERED by)
******Franchisee1_Name******)
)
)
By: ______________________________)
Name: *****Name*****
Title: *****Title*****

SIGNED AND DELIVERED by)
*****Guarantor1_Name***** in the presence of:)
)
)
______________________________)
(Witness Signature))
) ______________________________
) *****Guarantor1_Name*****
______________________________)
(Witness Full Name))
)
______________________________)
(Witness Address))
)
)

SIGNED AND DELIVERED by
*****Guarantor2_Name***** in the presence of:

____
(Witness Signature)

____
(Witness Full Name)

____
(Witness Address)

____
*****Guarantor2_Name*****

EXHIBIT I

LOAN AGREEMENT

LOAN AGREEMENT

Date of Loan Agreement:

Borrower: ***Franchisee_Name***

Bakery Number: ***Bakery Number***

Address: ***Business_Premises_Address***

This is the loan agreement covering advances made to you by us in connection with the COBS Bread Bakery franchise specified above. It sets out the agreement between you and us, including your rights and obligations to us concerning repayment of the loan.

LOAN AGREEMENT

Between:

- COBS USA Inc., a Delaware corporation with a business address of 210-369 Terminal Avenue, Vancouver, British Columbia, Canada, V6A 4C4.
- The person or persons described in **Item 1** of Schedule A (“you”). Wherever relevant, “you” includes your officers, employees, agents and any person you allow on the Bakery Premises (except members of the public).
- The person or persons described in **Item 2** of Schedule A (“the Guarantor”)

PART 1 DEFINITION OF WORDS USED

1. In this Agreement, the following words have the following meanings:

Agreement	means this Agreement together with all attached Schedules.
Interest Rate	means the effective annual rate of interest specified in **Item 3**.
Item	means an item contained in the attached Schedule A.
Loan Repayment Schedule:	means the Loan Repayment Schedule attached as Schedule B.
Principal Sum	means the sum specified in **Item 4** plus any further advances we make to you from time to time.
Repayment Date	means the date specified in **Item 5**.

PART 2 THE LOAN & ADVANCE

2. We agree to lend you the **Principal Sum** on the terms set out in this Agreement.

3. We may advance the **Principal Sum** to you in one or more instalments by:

    a. Depositing the **Principal Sum** or part thereof into your bank account;

    b. Giving you a check for the **Principal Sum** or part thereof; or

    c. Paying monies owing to us under this Agreement and monies that you are otherwise obliged to pay us (for example, reimbursement or payment of sums payable to us under your Sublease agreement with us);

    Any amounts you borrow from us under this Agreement and repay may not be reborrowed.

    We will not be obliged to advance to you the **Principal Sum** or any part thereof (i) until you have given to us a properly completed direct debit authority that will enable us to debit your bank account with the payments you are required to make to us under this Agreement or (ii) while you or any Guarantor is in default under any term of this Agreement, the Franchise Agreement or the Sublease agreement.

4. You authorize us to pay from the **Principal Sum** amounts that you are otherwise obliged to pay us or to withhold from any advance of the **Principal Sum** amounts which you are obliged to pay us under this Agreement, the amount of which cannot yet be ascertained (for example, legal fees and taxes).

Repayment of the Principal Sum and Interest

5. You promise to repay the **Principal Sum** together with the interest from the date of advance on so much of the **Principal Sum** as is outstanding from time to time (calculated at the **Interest Rate** to then be payable on a daily basis) in the instalments described in **Item 7**, and by making such other payments as may be described in **Item 7**. We intend that the Interest Rate never exceed the maximum rate that may be legally charged under applicable law. Nonetheless, if the Interest Rate is ever higher than the maximum permitted rate, then interest shall be limited to the maximum permitted rate and any amounts paid toward interest in excess of the maximum permitted rate will be applied to reduce the Principal Sum, or, at our sole option, returned to you.

6. You may make partial prepayments of the **Principal Sum** as specified in **Item 6**.

7. You must repay the entire **Principal Sum** together with interest and all other amounts due under this Agreement by the **Repayment Date** as specified in **Item 5**. Failure to do so will result in additional interest charges at the Default Interest Rate as specified in **Item 3**.

Security and Covenants

8. You hereby grant to us a security interest in all of your present and after-acquired personal property and all other assets as security for your obligations under this Agreement. You will execute and deliver to us a general security agreement, in substantially the form attached as Schedule C, with respect to such present and after-acquired personal property and other assets.

9. You must not sell, lease or encumber all or any part of your assets without our written consent, which consent may be withheld at our sole discretion.

10. You covenant and agree to deliver to us upon request: all financial statements prepared by or for you regarding you, any Guarantor and the business operated at the Bakery Premises; all books, records, ledgers, reports, correspondence and other writings relating to the business operated at the Bakery Premises, and any collateral granted to us, for the purpose of inspecting, auditing, or copying; all policies and certificates of insurance relating to business and any collateral; and any information concerning you, any Guarantor, the business operated at the Bakery Premises, and the collateral as we may reasonably request.

11. You covenant and agree that during the term of this Agreement you will not, without our prior written consent: declare or pay any dividends or distributions; purchase or redeem any of your ownership interests or otherwise reduce your ownership capital; guaranty any obligation of any third party; or incur additional indebtedness of any type (other than the refinancing contemplated by this Agreement).

Events of Default

12. Despite any other provision of this Agreement we may require, and upon the occurrence of any of the circumstances in subsection (c) or (d) below shall require without notice, demand or presentation, you to immediately repay the **Principal Sum** or any other money which you are required to pay us under this Agreement, and you will repay such money, should any of the following circumstances arise:

a. you fail to make any principal and interest payment due under this Agreement and such failure continues for more than 7 days after due date;

b. you breach the Sublease agreement between you and us in circumstances that would entitle us to terminate that agreement;

c. you or any Guarantor (i) files a petition or request for liquidation, reorganization, arrangement, adjudication as a bankrupt, or other similar relief under any bankruptcy, insolvency or similar law; (ii) consents to the filing of a petition in any bankruptcy, liquidation, reorganization or insolvency proceeding; (iii) makes a general assignment for the benefit of creditors; (iv) consents to the appointment of a receiver, trustee or officer performing similar functions; (v) makes any, or sends notice of any intended, bulk sale; or (vi) institutes or executes a consent to any other type of insolvency proceeding (under the U.S. Bankruptcy Code or otherwise) or any formal or informal proceeding for the dissolution or liquidation of, or settlement of claims against or winding up of affairs;

d. the appointment of a receiver, trustee, custodian or officer performing similar functions for you or any Guarantor or any of yours of any Guarantor's assets; or the involuntary filing against you or any Guarantor of a request or petition for liquidation, reorganization, arrangement, or adjudication as a bankrupt or other relief under the bankruptcy, insolvency or similar law; or the institution against Borrower of any other type of involuntary insolvency proceeding (under the U.S. Bankruptcy Code or otherwise) or of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of you or any Guarantor;

e. the term of your Franchise Agreement entered into with us or our affiliate comes to an end for any reason whatsoever;

f. if there is a change in ownership or voting control of you or of any Guarantor; or if you or any Guarantor shall change its name, merge into or consolidate with any other entity, or sell or otherwise transfer all or substantially all of its assets;

g. you or any Guarantor breach any other term of this Agreement; or

h. you fail to obtain refinancing within the time specified in **Item 8** of the date of this Agreement.

13. **Payment Defaults**

If you fail to immediately repay us as specified in the preceding clause for more than 7 days, or if you fail more than 2 times in any 12 month period to pay when due any sum required to be paid pursuant to this Agreement, or if you fail to repay the entire **Principal Sum** and interest by the **Repayment Date**, we may exercise any rights available to us under this Agreement or applicable law, including the following:

a. demand immediate repayment; and

b. terminate your Sublease agreement without notice, without prejudice to any of our other rights under this Agreement or those of our affiliate under the Franchise Agreement, and without prejudice to any of our or our affiliate's other rights which may exist in law or equity.

14. **Certificate of amount owing or happening of events**

A certificate signed by us or our legal counsel stating the amount owing or contingently owing at any date specified therein or the happening of any the events specified in clause 12 or clause 13, shall for all purposes be *prima facie* evidence of the facts stated therein.

15. **Time is of the essence**

Time shall be of the essence in respect of your obligations under this Agreement.

PART 3 OBLIGATIONS OF GUARANTORS

16. In consideration of us agreeing to lend the **Principal Sum** to you at the request of each of them, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Guarantors each unconditionally, irrevocably, jointly and severally, without set-off or deduction, as principal debtor and not as surety, and as a continuing guarantee:

a. guarantee to us that you will perform all of your obligations under this Agreement and the Sublease agreement between you and us;

b. agree that if you breach any of your obligations under this Agreement they will:

1. indemnify and hold us harmless against all claims and for all losses and damages we sustain and all costs and expenses we incur as a result of any breach of this Agreement by you; and

2. pay to us any money that you are obliged to pay under this Agreement which you have not paid;

c. agree that their obligations under this clause shall continue until you fulfil all of your obligations under this Agreement whether before or after termination;

d. agree that any payment made by you or them to us which is later avoided or reversed under any law shall be deemed not to have been made so that the Guarantors' obligation to us will be restored to the position that would have existed if such payment was not made;

e. agree that their claims against you are subordinate and that they will not prove or claim against you or in any winding up, liquidation or dissolution of you until we have received 100 cents in the dollar in respect of all money owed by you to us;

f. waive any right to require us to proceed against you or any Guarantor or security or to pursue any other remedy before proceeding against them;

g. waive without notice (i) any demand upon or presentment or protest to you, any Guarantor or other person or entity; (ii) any exercise of any right or remedy we may have against you, any Guarantor or other person or entity; (iii) the impairment of collateral or suretyship defenses; (iv) any notice to you, any Guarantor or other person or entity of protest for nonpayment; (v) any incurring or nonpayment of any amount due under this Agreement; (vi) any occurrence or existence of any default relating to this Agreement or any collateral; (vii) any decrease in the value of any collateral; (viii) any exercise of any right or remedy we may have against you, any Guarantor or other person or entity, (ix) any action taken or not taken by us; (x) or any other matter; and

h. agree that this guarantee is intended to be and to take effect as a valid guarantee against each Guarantor for all purposes.

17. Our right to enforce the preceding clause against the Guarantors shall not be affected in any way if:

a. we grant any concession to or waive any requirement of you or the Guarantors;

b. we release you wholly or in part from any obligation under this Agreement;

c. we release any Guarantor or security wholly or in part from any obligation under this Agreement;

d. we have any other dealings with you or the Guarantors or any security;

e. there has been any breach or non-fulfillment of this Agreement or any related agreement by us or our affiliate;

f. this Agreement is modified or extended in any way;

g. there has been any assignment of our or your rights and obligations under this Agreement;

h. this Agreement expires or is terminated;

i. any money you are required to pay under this Agreement may become unenforceable;

j. we fail to or delay in suing you in respect of any breach by you of the provisions of this Agreement;

k. you or any of the Guarantors die or become incapacitated or disabled; you or any of the Guarantors fail to maintain existing entity status in good standing in the state of formation or fail to remain qualified and in good standing in the State where the Bakery Premises are located;

l. the occurrence of any circumstances set forth in Sections 12(c) or 12(d) of this Agreement;

m. any of the Guarantors named in the Agreement fail to execute this Agreement; or

n. this Agreement becomes void or unenforceable against you or any one or more of the Guarantors.

PART 4 MISCELLANEOUS CLAUSES

18. You acknowledge and confirm:

a. that you have read and fully understand this Agreement; and

b. that we have recommended that you obtain independent legal advice concerning this Agreement before signing this Agreement.

Legal Costs

19. You are responsible for payment of all legal fees and expenses, including our legal fees payable in respect of this Agreement, and any other costs and expenses incurred by us arising out of any default and enforcement proceedings.

Set-off

20. We may at any time apply any funds we are holding on your behalf or any money which we may owe you towards the satisfaction of any sum of money which you owe us under this Agreement, your Sublease agreement or otherwise.

21. You must not apply any funds you are holding on our behalf or any money which you may owe us towards the satisfaction of any sum of money that we owe you.

Entire Agreement

22. This Agreement is our entire agreement as to the subject matter of this Agreement. Any prior discussions or negotiations not recorded in this Agreement are deemed to be of no effect.

Waiver

23. If we ignore or fail to enforce any breach of this Agreement by you, this does not mean that we have reached a new agreement or will in the future ignore or be prevented from enforcing a similar or any other breach of this Agreement. Any waiver, modification or recision of this Agreement must be in writing signed by us. The subsequent acceptance of any payment by us will not be deemed a waiver of any breach of this Agreement by you, regardless of our knowledge of such breach at the time of acceptance of such payment. In the event of termination of this Agreement by us, any prior agreement or waiver by us whereby we agreed to forbear from taking any action or to waive or relinquish our rights to any payments may, at our election, be revoked upon written notice to you, and all amounts which were the subject of any such agreement or waiver shall thereupon become due and payable forthwith by you to us.

Governing Law

24. This Agreement will be governed by and construed in accordance with the laws of the State of New York, without reference to its or any other jurisdiction's conflicts of law. The parties agree that any franchise law, business opportunity law or consumer protection act of the State of New York, now in effect or adopted or amended after the date of this Agreement, will not apply to franchises located outside the State of New York by virtue of this choice of law, unless they fall within the specific scope of that law. All of the provisions in Part 12 (Resolutions of Disputes) of the Franchise Agreement between the parties are incorporated into this Agreement by reference, including the exceptions to the dispute notice, negotiation, mediation and arbitration.

Severability of terms

25. The terms of this Agreement shall be interpreted so as not to infringe any law or be in any way invalid, but if any term upon its true construction does infringe any law or is invalid or unenforceable, it shall be read down to such extent as is necessary so that it does not infringe any such law or is valid and enforceable. If this is not possible, the offending term shall be severed from this Agreement without affecting the validity of the remaining terms of this Agreement.

Authority to date and complete

26. You and the Guarantors authorize us to date this Agreement and to complete any particulars in this Agreement, which are not presently completed.

Service of notices

27. Any notice that is required to be given under this Agreement must be in writing. It may be:

a. hand delivered – in which case the notice will be deemed to have been received once it has been delivered;

b. transmitted by facsimile, email or other electronic means if the recipient has facilities for the receipt of documents by such means – in which case the notice will be deemed to have been given at 9:00 am local time for the recipient on the next business day following the date of transmission; or

c. mailed by certified or registered mail – in which case the notice will be deemed to have been given at 5:00 pm local time for the recipient on the 2nd business day following the date of mailing. No mailing shall be made if at the date of mailing there is any labor dispute, strike or lockout affecting mail service in the geographic area in which the item is mailed or is intended to be received.

Notices to be given to us by you or the Guarantors must be delivered, transmitted or mailed to our address set forth at the head of this Agreement. Notices to be given to you by us must be delivered, mailed or transmitted to the address set forth on Schedule A. Notices to be given to the Guarantors by us must be delivered, mailed or transmitted to the address set forth on Schedule A.

Confidentiality

28. You acknowledge that the existence of this Agreement and its terms and conditions are confidential, and you will take whatever measures are reasonably necessary to preserve such confidentiality. During and after the term of this Agreement, you will not disclose the existence or the terms and conditions of this Agreement to any party, with the exception that you may disclose them to your attorneys, financial advisors and other professional advisors with a need to know in the ordinary course of business, provided that such persons are placed under a similar obligation of confidentiality, and you may disclose them if compelled to do so by court order, subpoena or other similar process if you give us prior written notice of the required disclosure and make a reasonable effort to obtain a protective order. Our loan to you of the **Principal Sum** is conditional upon your agreement to maintain confidentiality as set out in this clause 28. The provisions of this clause 28 shall survive the expiry or early termination of this Agreement and shall continue in force for as long as we are carrying on business in the United States or the existence or the terms and conditions of this Agreement become public through no fault of yours or the Guarantors, whichever is the shorter period.

Successors and Assigns

29. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, personal representatives, heirs, estates, successors and permitted assigns.

Cumulative Rights

30. All rights and remedies given to us in this Agreement and by law and equity shall be cumulative and not exclusive, and may be exercised or enforced by us separately or together and in any order. The covenants of us and you are not mutual and particularly, and without limiting the generality of the foregoing, no claim by you that we are in default under any provision hereof or of the Sublease agreement or that our affiliate is in default under any provision of the Franchise Agreement shall be a defence to a claim by us for or in respect of any payments owing or obligations hereunder by you.

Survival of Terms

31. The terms, provisions, covenants, conditions and obligations contained in this Agreement which, by their nature or terms, require their performance by you or the Guarantors after the expiration or other termination of this Agreement shall be and remain valid and enforceable notwithstanding such expiration or other termination of this Agreement for any reason whatsoever.

Further Acts or Documents

32. You and the Guarantors agree to acknowledge, execute and deliver all such further documents, agreements, instruments or assurances and to perform all such further acts or deeds as may be reasonably required from time to time in order to carry out the terms of this Agreement in accordance with their true intent as expressed herein.

Interpretation

33. For the purposes of this Agreement, except as otherwise expressly provided herein:

a. the singular of any term includes the plural and vice versa and the use of any term is equally applicable to any gender and where applicable to a body corporate or other entity;

b. the word “or” is not exclusive and the words “including” or “include(s)” or words of a similar nature are not limiting (whether or not non limiting language such as “without limitation” or “but not limited to” or other words of similar import are used with reference thereto);

c. this Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument once all parties have executed and delivered their respective counterparts;

d. each reference in this Agreement to a designated clause, Section or to a Schedule, is to the designated clause, Section or Schedule to this Agreement unless otherwise specifically stated;

e. the headings to the Sections of this Agreement are inserted for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision of this Agreement; and

f. capitalized terms not defined in this Agreement shall have the meanings set out or referred to in the Sublease agreement, or in the Franchise Agreement entered into with our affiliate.

Assignment

34. We may assign our rights hereunder in whole or in part without notice to you and you shall be bound by any such assignment according to its terms save that you shall in no event raise against any assignee any claims you may have against us or our affiliate. You may not assign this Agreement in whole or in part without our prior written consent which may be withheld in our sole and absolute discretion.

Limitation of Liability

35. To the fullest extent permitted by law, you will not assert, and hereby waive any claim against us on any theory of liability for special, indirect, consequential or punitive damages (but excluding direct or actual damages) in connection with this Agreement or the transactions contemplated by this Agreement.

USA Patriot Act

36. This Agreement is notice to you that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56), we may be required to obtain, verify and record information that identifies you, which information includes your name and address of and other information that will allow us to identify you in accordance with the USA Patriot Act.

Prohibited Person Compliance

37. You covenant, represent and warrant that neither you nor any Guarantor nor any of their respective affiliates is or will:

(a) be listed in the Annex to, or is otherwise subject to the provisions of, Executive Order 13224 issued on September 24, 2001 (“EO13224”),

(b) appear on the United States Treasury Department’s Office of Foreign Assets Control (“OFAC”) most current list of “Specifically Designated National and Blocked Persons,”

(c) commit, threaten to commit or support “terrorism,” as is defined in EO13224,

(d) be affiliated with any entity or person who would be included in subsections (a) through (c) above (any and all parties described in subsections (a) – (d) above are herein referred to as a “Prohibited Person”),

(e) knowingly conduct any business, or engage in any transaction or dealing, with any Prohibited Person, including, but not limited to, the making or receiving of any contribution of funds, goods, or services to or for the benefit of a Prohibited Person, or

(f) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in EO13224.

You will deliver to us on demand any certification or other evidence that we may request in our sole discretion confirming the representations contained in subsections (a) through (f) above.

WAIVER OF TRIAL BY JURY

38. **YOU (a) KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY WAIVE EACH RIGHT YOU MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO, AND IN, ANY ACTION OR OTHER LEGAL PROCEEDING, OF ANY NATURE RELATING TO (i) THIS AGREEMENT,**

(ii) ANY TRANSACTION CONTEMPLATED IN THIS AGREEMENT OR (iii) ANY NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT OR ANY RELATED AGREEMENT OR TRANSACTIONS AND (b) CERTIFY THAT (i) WE HAVE NOT, NOR HAVE ANY OF OUR AGENTS OR AFFILIATES, REPRESENTED TO YOU THAT WE WILL NOT SEEK TO ENFORCE THE WAIVER MADE BY BORROWER IN THIS SECTION, AND (ii) YOU HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS AGREEMENT AS NECESSARY AND APPROPRIATE BY INDEPENDENT LEGAL COUNSEL.

This Loan Agreement is executed as of the Date set forth in **Item 9** of Schedule A.

COBS USA Inc.

____
by its authorized signatory

EXECUTED AND DELIVERED by the *****Franchisee_Name*****, by its member, manager or officer as set out in **Item 10**:	))))	
____	)	
Name:		
Title:		

EXECUTED AND DELIVERED by *****Guarantor1_Name***** as **Guarantor**, in the presence of:	)))	
___________________________________ Witness Signature	)))	___________________________________ *****Guarantor1_Name*****
___________________________________ Witness Name	)))	
___________________________________ Witness Address	)))	

EXECUTED AND DELIVERED by *****Guarantor2_Name***** as **Guarantor**, in the presence of:	)))	
___________________________________ Witness Signature	)))	___________________________________ *****Guarantor2_Name*****
___________________________________ Witness Name	)))	
___________________________________ Witness Address	)))	

SCHEDULE A

ITEMS

1. THE BORROWER ("YOU") (NAME/ADDRESS/FAX/EMAIL ADDRESS)

Name: *****Franchisee_Name*****, a ***State*** corporation / limited liability company ________________

Address: ***Franchisee_Address***

2. THE GUARANTOR(S) (NAME/ADDRESS/FAX/EMAIL ADDRESS)

Name: *****Guarantor1_Name*****

Address: ***Guarantor1_Address***

Name: *****Guarantor2_Name*****

Address: ***Guarantor2_Address***

3. THE INTEREST RATE

Interest Rate: ***Interest_Rate***% per annum.
Amortization Period: ***Amortization_Period*** months
Default Interest Rate: ***Default_Interest_Rate***% per annum.

4. PRINCIPAL SUM

$***Principal_Sum***

5. REPAYMENT DATE

Repayment_Date

6. ADDITIONAL PREPAYMENT

Prepayment in full or in part may be made at any time during the loan period without notice, premium or penalty.

7. PRINCIPAL AND INTEREST PAYMENTS (subject to adjustment)

You will repay all of the Principal Sum, plus interest as set out in Item 3 above, by the Repayment Date; this amount shall be paid in installments as follows:

Payment Frequency: ***Payment_Frequency*** Commencing: ***Loan_Start_Date***

Please refer to attached Loan Repayment Schedule (Schedule B).

8. REFINANCING DATE

You will obtain any refinancing within the following period of the date of this Agreement: ***Refinancing_Date***.

9. DATE OF LOAN AGREEMENT

The day of 2019

10. TITLE OF AUTHORIZED SIGNATORY OF BORROWER, IF APPLICABLE

Member, Manager or Officer’s Name:	***Member/Manager/Officer_Name***
Officer’s Title, if applicable:	***Officer’s Title***

SCHEDULE B

(LOAN REPAYMENT SCHEDULE)

SCHEDULE C

(GENERAL SECURITY AGREEMENT)

EXHIBIT J

GENERAL SECURITY AGREEMENT

GENERAL SECURITY AGREEMENT (U.S.)

THIS AGREEMENT is made as of the ___ day of ________________, 20___, between ____, a(n) ____________________________ with a mailing address at ____ ("Debtor") and COBS USA Inc., a Delaware corporation with a mailing address at 210-369 Terminal Ave., Vancouver, British Columbia, Canada, V6A 4C4 ("Secured Party").

For good and valuable consideration, the receipt and sufficiency of which are acknowledged, Debtor agrees with Secured Party as follows:

1. Definitions.

(a) *Collateral.* "Collateral" means all of the following property and assets, wherever located, that are now owned or hereafter acquired by Debtor or in or to which Debtor now has or hereafter acquires any right, title or interest:

(i) Accounts;

(ii) Chattel Paper;

(iii) Goods (including Equipment, Fixtures, Inventory and Farm Products);

(iv) Instruments, including Promissory Notes;

(v) Investment Property;

(vi) Documents;

(vii) Deposit Accounts;

(viii) Letter-of-Credit Rights;

(ix) Commercial Tort Claims described in the Schedule;

(x) General Intangibles, including patents, trademarks, copyrights and other intellectual property;

(xi) Supporting Obligations;

(xii) money and other personal property; and

(xiii) to the extent not included in the property listed above, Proceeds and products of, and Records relating to, such property.

(b) *Event of Default.* An "Event of Default" occurs or exists if:

(i) Debtor or any Third Party fails to pay when due any of the Obligations requiring the payment of any amount and the failure continues for 10 days;

(ii) Debtor or any Third Party fails to perform or comply with any of the Obligations (other than those requiring the payment of any amount) when or as required and the failure continues for 10 days;

(iii) Any default or event of default, for purposes of or as defined in any agreement, instrument or other writing evidencing, guaranteeing or securing all or any portion of the Obligations or any obligations owing to any affiliate of Secured Party, occurs or exists after giving effect to any applicable cure or grace period;

(iv) Any representation or warranty contained in this Agreement, in any financial statement delivered to Secured Party at any time by or on behalf of Debtor or in any agreement, instrument or other writing evidencing, guaranteeing or securing any of the Obligations is or proves to be incorrect or misleading in any material respect;

(v) Debtor transfers or disposes of any of the Collateral, except as expressly permitted by this Agreement;

(vi) Debtor is dissolved, ceases to exist, makes any bulk sale, becomes insolvent (however evidenced), generally fails to pay its debts as they become due, fails to pay, withhold or collect any tax as required by applicable law, suspends or ceases its present business or has entered, served, filed or recorded against it or against any of its assets any judgment, lien, attachment, execution or levy;

(vii) Debtor or any Third Party has any receiver, trustee, custodian or similar Person appointed for it or any of its assets, makes any assignment for the benefit of creditors or commences or has commenced against it any case or other proceeding under any bankruptcy, insolvency or similar law;

(viii) Debtor fails to comply with, or becomes subject to any administrative or judicial proceeding under, any applicable (i) hazardous waste or environmental law, (ii) asset forfeiture or similar law which can result in the forfeiture of property or (iii) other law, and Secured Party is of the opinion that such noncompliance or subjection to such proceeding has or may have any significant effect on Debtor's business or the Collateral;

(ix) Any Third Party who is an individual dies or is incompetent; or

(x) Secured Party deems itself insecure with respect to the Obligations or is of the opinion that the Collateral is not or may not be sufficient or has decreased or may decrease in value.

(c) *Loan Agreement*. "Loan Agreement" means the Loan Agreement, dated on or about the date of this Agreement, between Debtor and Secured Party, as it may be modified, restated or replaced from time to time.

(d) *Obligations.* "Obligations" means:

(i) all of Debtor's present and future obligations to Secured Party, including all such obligations under this Agreement and any loan agreement (including the Loan Agreement), promissory note, lease, sublease or franchise or other agreement;

(ii) (A) all amounts that Secured Party may advance or spend at any time for the maintenance or preservation of any of the Collateral and (B) all other expenditures that Secured Party may make at any time under the provisions of this Agreement or for the benefit of Debtor;

(iii) all amounts and other obligations owed or required to be performed or complied with at any time under any replacements, modifications, renewals or extensions of any of the foregoing obligations; and

(iv) all of the foregoing obligations that arise after the filing of a petition by or against Debtor under any bankruptcy, insolvency or similar law, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.

(e) *Third Party.* "Third Party" means any guarantor, partner or other Person liable for, or who or that owns or has any interest in any property or asset that secures, all or any portion of the Obligations.

(f) *Permitted Lien.* "Permitted Lien" means any security interest or other lien completely and accurately described in the Schedule.

(g) *Person*. "Person" means (i) any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated association, government or political subdivision, (ii) any court, agency or other governmental body or (iii) any other entity, body, organization or group.

(h) *Schedule*. "Schedule" means the Schedule attached to and made a part of this Agreement, as such Schedule may be modified, restated or replaced from time to time with the written consent of Secured Party.

(i) *UCC*. Any capitalized or other term used in the Uniform Commercial Code ("UCC") and not defined in this Agreement has the meaning given to the term in the UCC as in effect from time to time in the State of _____________.

2. Grant of Security Interest.

Debtor hereby grants to Secured Party a continuing security interest in the Collateral to secure the payment and performance of the Obligations.

3. Perfection of Security Interests.

(a) *Filing of Financing Statements.* Debtor authorizes Secured Party to file one or more financing statements describing the Collateral and, without limiting the foregoing, authorizes Secured Party to use terms such as "All assets" or "All personal property and fixtures" to describe the Collateral.

(b) *Possession*.

(i) Debtor will maintain possession of the Collateral, except where expressly otherwise provided in this Agreement.

(ii) Where any of the Collateral is located on premises not owned by Debtor or is in the possession of another Person, Debtor will, upon request of Secured Party, obtain a landlord or bailee waiver or the equivalent, in form and substance satisfactory to Secured Party.

(c) *Control Agreements.* Debtor will, upon request of Secured Party, obtain a control agreement in form and substance satisfactory to Secured Party and executed by all required Persons with respect to any of the Collateral consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights or Electronic Chattel Paper.

(d) *Marking of Chattel Paper.* Debtor will not create any Chattel Paper without placing a legend on the Chattel Paper acceptable to Secured Party indicating that Secured Party has a security interest in the Chattel Paper.

4. Covenants and Rights Concerning the Collateral.

(a) *Inspection and Verification.* Secured Party may inspect any of the Collateral in Debtor's possession at any time upon reasonable notice. Secured Party may verify any of the Collateral not in Debtor's possession in any manner or through any medium, whether directly with any Person obligated with respect thereto or in the name of Debtor or otherwise.

(b) *Taxes; Defense of Collateral*. Debtor will (i) before the end of any applicable grace period, pay each tax, assessment, fee and charge imposed by any government or political subdivision upon any of the Collateral or the acquisition, ownership, possession, use, operation or sale or other disposition thereof and (ii) defend the Collateral against each demand, claim, counterclaim, setoff and defense asserted by any Person.

(c) *Obligations Relating to Collateral*.

(i) *Risk of Loss.* Debtor has the risk of loss of the Collateral.

(ii) *No Collection Obligation.* Secured Party has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral.

(iii) *No Assignment.* This Agreement does not constitute any assignment by Debtor to Secured Party of any obligation of Debtor relating to any of the Collateral and Debtor will at all times remain obligated to perform each such obligation.

(d) *No Disposition of Collateral.* Secured Party does not authorize Debtor to, and Debtor will not:

(i) make any sale, lease or other disposition of any of the Collateral, except for any sale of Inventory or use of its money in the ordinary course of business that is not in violation of the Loan Agreement and that occurs prior to (A) any notice to the contrary being given by Secured Party after the occurrence or existence of any Event of Default and (B) the occurrence or existence of any Event of Default described in clause (vii) of Section 1(b) of this Agreement;

(ii) license any of the Collateral;

(iii) modify, compromise, cancel, subordinate or waive any right relating to any of the Collateral; or

(iv) grant any security interest in or other lien upon any of the Collateral except in favor of Secured Party or any Permitted Lien.

(e) *Purchase Money Security Interests.* To the extent the Obligations are used by Debtor to purchase any of the Collateral, Debtor's repayment of the Obligations will apply on a first-in-first-out basis so that the portion of the Obligations used to purchase a particular item of the Collateral will be paid in the chronological order Debtor purchased the Collateral.

(f) *No Installation.* Debtor will prevent any Goods included in the Collateral from being affixed to or installed in or on any real property or any Goods not included in the Collateral.

(g) *Treatment of Collateral*. Debtor will maintain all Goods included in the Collateral in good condition except for ordinary wear and tear.

(h) *Debtor's Other Covenants*.

Debtor:

(i) will preserve its existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other Person, or sell or otherwise transfer all or substantially all of its assets;

(ii) will not change the state of its incorporation or organization;

(iii) will keep all of the Collateral consisting of Goods, including Inventory, Equipment and Fixtures, and Records only at the first address listed in Section 4 of the Schedule or at any other address therein listed that has been approved by Secured Party in writing;

(iv) will not change its legal name;

(v) will conduct its business and use and maintain the Collateral in compliance with all applicable laws;

(vi) will maintain all-risk property insurance satisfactory to Secured Party, naming Secured Party as lender's loss payee or the equivalent and provide evidence of such insurance to Secured Party; and

(vii) will promptly notify Secured Party of (i) any information required to at all times keep each representation and warranty contained in Section 5(g) hereof complete and accurate in all respects (and in the event of any change in such information will immediately provide to Secured Party a proposed new Schedule modified as necessary with respect to the information contained in Section 5 and 6 of the new Schedule and the then existing Schedule will be deemed to be replaced by the new Schedule upon Secured Party's written consent to such replacement), (ii) any loss, theft or destruction of or damage to, or any demand, claim, counterclaim, setoff or defense affecting, any of the Collateral and (iii) the occurrence or existence of any Event of Default.

5. Debtor's Representations and Warranties.

Debtor represents and warrants that:

(a) *Authority*. The execution, delivery to Secured Party and performance of this Agreement by Debtor (i) do not and will not violate applicable law, any judgment or order of any court, agency or other governmental body by which Debtor is bound or, if Debtor is not an individual, any certificate or articles of incorporation or organization, by-laws, operating or partnership agreement or other charter, organizational or other governing document of Debtor or any resolution or other action of record of any shareholders, members, directors or managers of Debtor, (ii) do not and will not violate or constitute any default under any agreement, instrument or other document by which Debtor is bound, (iii) if Debtor is not an individual, are and will be in furtherance of the purposes and within the power and authority of Debtor and (iv) do not and will not require any authorization of, notice to or other act by or relating to any Person (including, but not limited to, if Debtor is not an individual, any shareholder, member, director or manager of Debtor) that has not been duly obtained, given or done and is not in full force and effect.

(b) *Location, State of Organization and Name of Debtor*.

Debtor's:

(i) chief executive office is located at the address in the state identified in the Schedule (the "Debtor Chief Executive Office State");

(ii) state of incorporation or organization is the state identified in the Schedule (the "Debtor Organization State");

(iii) organizational number (if any) and entity type are identified in the Schedule; and

(iv) exact legal name is as set forth in the first paragraph of this Agreement.

(c) *Title to and Transfer of Collateral.* It has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement or for any Permitted Lien.

(d) *Location of Collateral.* All Goods, including Inventory, Equipment and Fixtures, and Records included in the Collateral are located solely at the location or locations listed in the Schedule.

(e) *Fixtures*. The name and address of each record owner of real estate where any of the Collateral consisting of Fixtures is located are identified in the Schedule.

(f) *Genuineness*. Each Account, Chattel Paper, Instrument, Document, Deposit Account, General Intangible and item of Investment Property included in the Collateral is or, if not now existing, will be genuine, in all respects what it purports to be and enforceable in accordance with its terms against each Person obligated with respect thereto, subject to no demand, claim, counterclaim, setoff or defense.

(g) *Other Collateral*. The Schedule contains in Sections 5 and 6 thereof a complete and accurate description of all Chattel Paper, Instruments, Investment Property, Deposit Accounts, Letter-of-Credit Rights, Commercial Tort Claims and Supporting Obligations, and all General Intangibles consisting of patents, trademarks and copyrights, included in the Collateral.

(h) *Other Information.* All other information provided in the Schedule is complete and accurate in all respects.

6. Costs.

Debtor will pay to Secured Party on demand all costs incurred by Secured Party for the purpose of enforcing any of its rights or Debtor's obligations hereunder, including:

(a) costs relating to the perfection or protection of the security interest granted herein or to the performance by Secured Party, at its sole option, of any of Debtor's obligations hereunder that Debtor fails to timely pay or perform;

(b) costs of foreclosure;

(c) costs of obtaining money damages or other relief; and

(d) the reasonable fees and disbursements of attorneys employed by Secured Party for any purpose related to this Agreement or the Obligations, including consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation or other enforcement actions.

After any demand for the payment of any cost, Debtor will pay interest on the portion of the cost remaining unpaid due at an annual rate equal to the lesser of (i) 5% above the highest domestic prime rate published in The Wall Street Journal (or if no longer published, then in a similar publication designated by Secured Party) from time to time or (ii) the highest rate permitted by applicable law.

7. Remedies Upon Default.

(a) *General.* Upon or after the occurrence of any Event of Default, Secured Party may pursue any remedy available at law (including those available under the provisions of the UCC) or in equity to collect, enforce or satisfy any of the Obligations then owing, whether by acceleration or otherwise.

(b) *Concurrent Remedies.* Without limiting the generality of Section 7(a) hereof, upon or after the occurrence of any Event of Default, Secured Party has the right to pursue any of the following remedies separately, successively or concurrently:

(i) To declare all or any portion of the Obligations remaining unpaid to be immediately due.

(ii) To file suit and obtain judgment and, in conjunction with any action, Secured Party may seek any ancillary remedies available under applicable law, including levy of attachment and garnishment.

(iii) To enforce Debtor's rights against Account Debtors and Obligors and to instruct such Persons to pay all amounts owing by them directly to Secured Party.

(iv) To take possession of any of the Collateral if not already in its possession without demand and without legal process, and Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where any of the Collateral may be located and, upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as it directs.

(v) With or without taking possession, to sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.

(c) *Power of Attorney*. Debtor irrevocably and unconditionally appoints Secured Party as the attorney-in-fact of Debtor, with full power of substitution and revocation, to take, at the sole option of Secured Party, in the name and on behalf of Debtor or otherwise, upon or after the occurrence of any Event of Default, each action relating to any of the Collateral that Debtor could take. The power of attorney given pursuant to the preceding sentence is coupled with an interest in favor of Secured Party and, if Debtor is an individual, will not be terminated or otherwise affected by the death, disability or incompetence of Debtor.

8. Foreclosure Procedures.

(a) *No Waiver.* No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default will: (i) impair any right or remedy, (ii) waive or operate as an acquiescence to such Event of Default or any other default or (iii) affect any subsequent Event of Default or other default of the same or a different nature.

(b) *Condition of Collateral.* Secured Party has no obligation to clean up or otherwise prepare the Collateral for sale, lease or other disposition.

(c) *No Obligation to Pursue Others.* Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other Person liable for them and Secured Party may release, modify or waive any of the Collateral or any collateral provided by any Third Party to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any Third Party for any of the Obligations.

(d) *Compliance With Laws.* Secured Party may comply with any requirements under applicable law in connection with any disposition of the Collateral. Secured Party's compliance with one permitted method of disposition over another permitted method under applicable law will not be considered to adversely affect the commercial reasonableness of any disposition of the Collateral.

(e) *Warranties.* Secured Party may sell, lease or otherwise dispose of the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like and all other warranties, express or implied. This procedure will not be considered to adversely affect the commercial reasonableness of any sale, lease or other disposition of the Collateral.

(f) *Sales on Credit.* If Secured Party sells any of the Collateral upon credit, Debtor will be credited (to the extent entitled) only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral.

(g) *Purchases by Secured Party.* In the event Secured Party purchases any of the Collateral being sold, Secured Party may pay for the Collateral by crediting all or any portion of the Obligations.

(h) *No Marshalling.* Secured Party has no obligation to marshal any assets in favor of Debtor or against or in payment of (i) the Obligations or any portion thereof or (ii) any other obligations owed to Secured Party by any other Person.

9. Certain Consents And Waivers.

(a) *Consents*. Except to the extent expressly provided in this Agreement, this Agreement will not be modified or terminated, no obligation of Debtor under this Agreement and no right or remedy of Secured Party under this Agreement will be impaired or otherwise adversely affected, and no such right or remedy will be waived, by any act, omission or other thing. Debtor consents, without any notice, to each act, omission and other thing that would or might, but for such consent, modify or terminate this Agreement, impair or otherwise adversely affect any such obligation, right or remedy or operate as a waiver of any such right or remedy. Without limiting the generality of the preceding two sentences, this Agreement will not be modified or terminated by, no such obligation, right or remedy will be impaired or otherwise adversely affected by, no such right or remedy will be waived by, and such consent will apply to (i) any direct or indirect extension, renewal, refinancing or other modification or replacement of, or any assignment or other transfer, compromise, cancellation, discharge, invalidity, impairment, unenforceability or change in any term or condition of, defense with respect to or grant of any participation in, any of the Obligations or any other obligation of Debtor or any Third Party or other Person, (ii) any taking, increase or decrease in value, impairment or release of, collection or sale, lease or other disposition of or other realization upon or failure or delaying to call for, take any property as, hold, preserve, protect, insure or collect, sell, lease or otherwise dispose of or otherwise realize upon any of the Collateral or (iii) any failure or delaying to perfect, keep perfected or maintain the priority of any security interest in any of the Collateral.

(b) *Waivers.* Debtor waives, without any notice, each act and other thing upon which, but for such waiver, any obligation of Debtor under this Agreement or any right or remedy of Secured Party under this Agreement or arising or accruing as a result of this Agreement would or might be conditioned. Without limiting the generality of the preceding sentence, no such obligation, right or remedy will be conditioned upon, and such waiver will apply to (i) the acceptance of this Agreement by Secured Party, (ii) any demand upon or presentment or protest to Debtor or any Third Party or other Person or (iii) any exercise of any right or remedy of Secured Party or any other Person relating to any of the Obligations or any of the Collateral or against Debtor or any Third Party or other Person.

10. General.

(a) *Cumulative Effect.* All rights and remedies of Secured Party under this Agreement are cumulative and no such right or remedy is exclusive of any other such right or remedy. This Agreement does not modify or terminate any other agreement, instrument or other document binding upon Debtor or any Third Party or other Person in favor of Secured Party.

(b) *Liability*. If more than one Person executes this Agreement, (i) each of them will be jointly and severally liable pursuant to this Agreement and (ii) this Agreement will be construed, interpreted and enforced, whether in any action or other legal proceeding or otherwise, as to each of them as though each of them had executed and delivered to Secured Party a separate agreement identical to this Agreement.

(c) *Notices.* All notices or other communications required or permitted to be given hereunder will be given as provided in the Loan Agreement.

(d) *No Assignments by Debtor.* Secured Party does not consent to any assignment by Debtor of, and Debtor will not assign, any of Debtor's rights, interests or obligations under this Agreement without Secured Party's prior written consent and any such purported assignment without such consent will be void.

(e) *Secured Party Assignments.* Secured Party may assign any of its rights, interests and obligations under this Agreement. If an assignment is made, Debtor will render performance under this Agreement to the assignee. Debtor waives and will not assert against any assignee any claim, defense or setoff that Debtor could assert against Secured Party except defenses that cannot be waived.

(f) *Severability.* If any provision of this Agreement is found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding will only affect the provision found to be void, invalid or unenforceable and will not affect the remaining provisions of this Agreement.

(g) *Binding Effect.* This Agreement binds Debtor, all other Persons who or that become bound as a debtor hereto and the legal representatives, successors and assigns of Debtor and all other such Persons and inures to the benefit of and is enforceable by Secured Party and the legal representatives, successors and assigns of Secured Party.

(h) *Headings.* Section headings used in this Agreement are for convenience only. They are not a part of this Agreement and will not be used in construing it.

(i) *Governing Law.* This Agreement is governed by and will be construed, interpreted and enforced in accordance with the laws of the State of ___________, without regard to principles of conflicts of laws, except to the extent that the UCC provides for the application of the law of the Debtor Organization State or the Debtor Chief Executive Office State or any other jurisdiction.

(j) Rules of Construction.

(i) No reference to "Proceeds" in this Agreement authorizes any sale, transfer or other disposition of the Collateral by Debtor.

(ii) "Includes" and "including" are not limiting.

(iii) "Or" is not exclusive.

(iv) "All" includes "any" and "any" includes "all".

(v) Any gender includes any other gender, as the context may require.

(vi) The terms "hereof", "herein", "hereunder" and similar terms refer to this Agreement and not to any particular provision of it.

(k) Integration and Modifications.

(i) This Agreement is the entire agreement of Debtor and Secured Party concerning its subject matter.

(ii) Any modification to this Agreement must be made in writing and signed by Debtor and Secured Party.

(l) *Termination*. This Agreement will remain in full force and effect until and will terminate only upon (i) the final and indefeasible payment and performance in full of the Obligations and (ii) there no longer being in force or effect any loan, lease, sublease, franchise or other agreement, any promissory note or other instrument or any credit commitment or other financial accommodation under which any of the Obligations have arisen or may arise.

(m) *Further Assurances.* Debtor agrees to execute any further documents, and to take any further actions, reasonably requested by Secured Party to evidence, perfect or protect the security interest granted herein or to effectuate the rights granted to Secured Party herein.

(n) ***CONSENT TO JURISDICTION.*** This Agreement will be governed by and construed in accordance with the laws of the State of New York, without reference to its or any other jurisdiction's conflicts of law. The parties agree that any franchise law, business opportunity law or consumer protection act of the State of New York, now in effect or adopted or amended after the date of this Agreement, will not apply to franchises located outside the State of New York by virtue of this choice of law, unless they fall within the specific scope of that law. All of the provisions in Part 12 (Resolutions of Disputes) of the Franchise Agreement between the parties are incorporated into this Agreement by reference, including the exceptions to the dispute notice, negotiation, mediation and arbitration. **DEBTOR WAIVES PERSONAL SERVICE OF PROCESS AND AGREES THAT SERVICE OF PROCESS MAY BE EFFECTED BY SECURED PARTY BY REGISTERED MAIL TO DEBTOR AT THE ADDRESS SET FORTH AT THE BEGINNING OF THIS AGREEMENT (OR SUCH OTHER ADDRESS AS TO WHICH DEBTOR HAS GIVEN SECURED PARTY NOTICE IN ACCORDANCE WITH SECTION 10(c) HEREOF) OR IN ANY MANNER ALLOWED BY THE STATE OF NEW YORK OR THE FEDERAL LAWS OF THE UNITED STATES.**

(o) ***WAIVER OF TRIAL BY JURY*. EACH OF DEBTOR AND SECURED PARTY WAIVES EACH RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY ACTION OR OTHER LEGAL PROCEEDING, WHETHER BASED ON ANY CONTRACT OR NEGLIGENT, INTENTIONAL OR OTHER TORT OR OTHERWISE, ARISING OUT OF OR**

OTHERWISE RELATING TO THIS AGREEMENT, ANY OF THE OBLIGATIONS OR ANY OF THE COLLATERAL.

IN WITNESS WHEREOF, Debtor and Secured Party have caused this Agreement to be duly executed by their authorized representatives as of the day and year first above written.

Debtor: ____________________________

By: ________________________________
Authorized Representative

Name: ______________________________

Title: _______________________________

Secured Party: COB USA Inc.

By: __________________________________
Authorized Representative

Name:________________________________

Title:_________________________________

[Signature Page – General Security Agreement (U.S.)]

SCHEDULE

1. Debtor's Chief Executive Office.

2. Debtor's State of Organization and Organizational Identification Number.

___________________ (State)

___________________ (Organizational ID#) or □ None

3. Type of Legal Entity.
□ Corporation
□ Limited Liability Company

4. Locations of Collateral Consisting of Goods, including Inventory, Equipment and Fixtures, and Records

Address	Type of Location (Check One Box)	Name and Address of Landlord, Bailee or Warehouseman	Name and Address of Record Owner of Real Estate if different than Landlord
1.	□ Debtor owned ☒ Leased □ Bailee or Warehouse	[Cob Entity Name and Address]	
2.	□ Debtor owned □ Leased □ Bailee or Warehouse		

5. Description of all Chattel Paper, Instruments, Investment Property, Deposit Accounts, Letter-of-Credit Rights, Commercial Tort Claims and Supporting Obligations included in the Collateral.

6. Description of all General Intangibles included in the Collateral consisting of patents, trademarks or copyrights.

7. Permitted Liens.

None

EXHIBIT K

TRAINING AGREEMENT – PROSPECTIVE FRANCHISEE OR FRANCHISEE

TRAINING AGREEMENT

This Agreement is made on the date specified in Item 1 of the Schedule

PARTIES

• **COBS USA Inc.,** a Delaware corporation having an office at Suite 210, 1100 Melville Street, Vancouver, B.C. V6E 4A6 ("we"). Wherever relevant, "we" or "us" includes our officers, employees and any person we authorise.
• The person described in **Item 2 of the Schedule** ("you"). Wherever relevant, "you" includes your employees and agents.

BACKGROUND

A. As part of the recruitment process for the COBS Bread System we conduct certain training programs designed to teach trainees the basic skills that are required to operate a COBS Bread Bakery Business.
B. You wish to undertake such training in the hope that at some later date we may be in a position to offer you a franchise to conduct a COBS Bread Bakery Business.
C. You clearly understand that we have absolute discretion as to whom we make franchise offers and that at the completion of the training contemplated by this Agreement we may be unable or elect not to offer you a franchise to conduct a COBS Bread Bakery Business.
D. In providing you with training we will be imparting secret and confidential information as to the various aspects of operating a COBS Bread Bakery Business.
E. We are not prepared to embark on a training program with you or impart secret and confidential information as to the various aspects of operating a COBS Bread Bakery Business unless you sign this Agreement.

AGREEMENT

The parties, intending to be legally bound, agree as follows:

PART 1 TRAINING FEE

1. You agree to pay to us the training fee set out in **Item 3 of the Schedule** in the manner specified in **Item 3 of the Schedule**.
2. You acknowledge that the training fee is intended to defray a portion of the costs and expenses incurred by us in providing you with the training contemplated by this Agreement.

PART 2 ORIENTATION PROGRAM

3. Upon payment of the Deposit specified in **Item 3(a) of the Schedule**, we will place you with an existing COBS Bread Bakery Business for the purposes of an initial Orientation program. This program will consist of a 5 day week for 3 weeks with a minimum of 40 hours per week, including weekends and holidays as per training schedule. During the Orientation program you will be trained under the guidance of the Bakery Principal or experienced employee of an existing COBS Bread franchisee, appointed by us (“the Trainer”).

PART 3 EARLY TERMINATION

4. At the completion of the Orientation program we will interview you again. At this time you may elect to withdraw from the training program or we may terminate the training program, in which case the Deposit specified in **Item 3(a) of the Schedule** will be retained by us. The provisions of clause 12 will apply to termination of the training program under this clause.

PART 4 COMPETENCY BASED TRAINING

5. If, after completion of the orientation program, we both agree to continue the training program, you will make a further payment of the amount specified in **Item 3(b) of the Schedule** and **Item 3(c) of the Schedule** (if applicable). Upon such payment being made we will place you at a designated training bakery and you will be trained by a Trainer with overall supervision from us.

6. An outline of the training program is set out in the COBS Bread Bakery Skills Program.

7. You must comply with all of the obligations as set out under the Franchise Agreement, once it is signed.

8. You acknowledge and agree that:

(a) you have received a copy of the documents referred to in clauses 6 and 7;

(b) the term of the training program will be determined in our absolute discretion;

(c) you will not be permitted to participate in any store based components of the training program unless you are appropriately attired and that you will be responsible for all costs associated with the supply of COBS Bread uniforms and other resources, which costs will be paid upon supply of those items.

(d) you will not receive nor be entitled to any wage, salary, payment or remuneration for services provided during the term of the training program.

9. You acknowledge that you may be required to undertake additional training programs not directly supplied by us. Should this become necessary, you will be liable for all costs associated with such programs.

10. You further acknowledge that in the event that you become a COBS Bread franchisee you will be required to undertake a selection of internally and/or externally provided training programs as deemed necessary by us, which must be completed within 24 months of signing this Agreement. You will be liable for all associated costs, such costs to be paid in accordance with invoices issued by us at the time.

PART 5 TERMINATION

11. Either party may on the giving of 7 days written notice to the other party terminate the training program.

12. If the training program is terminated during the term of the training period by either party, you will have the following obligations:

(a) You will not for a period of six months from the date of termination directly or indirectly or through another entity in which you have a controlling interest:

(i) be involved in the operation and/or management of a hot bread bakery and retailing outlet; or

(ii) establish or be involved in a business utilising any of the skills or methods taught during the training program.

(b) You will forthwith deliver to us any manuals, instructions, notes, writings and other documents prepared by or containing material supplied by us relating to our systems procedures and recipes.

(c) You will forthwith pay to us the balance of the training fee (if any), unless the training program has been terminated in accordance with clause 4.

PART 6 CONFIDENTIAL INFORMATION

13. You acknowledge that the information contained in all manuals, instructions, notes, writings or other documents prepared by or containing materials supplied by us either directly or indirectly through any other person to you together with information imparted to you by us or the Trainer(s) or Instructor(s) appointed by us, in relation to our systems, procedures and recipes is confidential and you agree not to use, disclose or cause to be disclosed any of the confidential information belonging to us. This is a continuing obligation notwithstanding the expiration or earlier termination of this Agreement.

PART 7 ELIGIBILITY FOR FRANCHISE

14. You agree, acknowledge and accept that we have absolute discretion as to whom we make franchise offers and that at the completion of the training contemplated by this Agreement we may be unable or elect not to offer you a franchise to conduct a COBS Bread Bakery Business.

15. You will not be eligible to be considered to be granted a franchise to conduct a COBS Bread Bakery Business unless:

(a) you have successfully completed the Orientation Program, the COBS Bread Bakery
Skills Program; and

(b) your spouse or de-facto partner, if he or she intends to have any involvement in the franchise, completes the Partner Training obligations specified by us.

PART 8 FINDING A BAKERY LOCATION

16. After successful completion of the COBS Bread Bakery Skills Program by you and the completion of any necessary Partner Training:

(a) we, in conjunction with you, will use our best endeavours to choose a location at which you may commence business as a COBS Bread Franchisee.

You acknowledge:

(i) that a suitable location may not immediately be available and may not be available for some time;

(ii) that we will hold the head lease of the proposed location and will have the absolute right to negotiate such terms as we deem appropriate in relation to the head lease.

17. If we offer you a franchise to conduct a COBS Bread Bakery Business then, subject to you being satisfied and comfortable with the financial commitment and risks associated with operating a franchise to conduct a COBS Bread Bakery Business, you will be required to:

(1) execute our standard Franchise Agreement and pay the franchisee purchase fee payable thereunder;

(2) execute any other necessary documentation for your purchase or leasing of the assets of the business and payment of all bakery establishment costs;

(3) pay all sums of money that are required to be paid pursuant to the documents referred to in the preceding sub-paragraphs.

18. If you elect not to accept our offer or fail to execute the documents referred to in clause 17, the training program will be deemed to have been terminated by you and the provisions of clauses 12 and 13 will apply.

19. Pending a suitable location for you to conduct a COBS Bread Bakery Business being chosen and agreed, you will be required to continue your training as a paid employee at one of our bakeries, if a position is available. We will use our best endeavours to find such a position for you.

PART 9 LIQUIDATED DAMAGES

20. You hereby acknowledge and agree that:

(a) the actual cost to us of providing training to you pursuant to this agreement far exceeds the training fee payable hereunder and that we are therefore investing our time and resources in training you with a view to you ultimately becoming a COBS Bread Franchisee, which will earn revenue for us in the form of a franchise purchase fee (currently $25,000 plus applicable taxes);

(b) If you breach clauses 12(a) or 13 of this Agreement we would have wasted our investment and lost the opportunity to earn such revenue;

(c) Accordingly the loss that will be suffered by us by reason of a breach by you of either of clauses 12(a) or 13 of this Agreement will be an amount equal to the franchise purchase fee ("the liquidated damages"); and

(d) You are liable to pay to us the liquidated damages in the event that you breach either of the said clauses, such payment being due and payable within 14 days of us serving on you a bona fide notice specifying the nature of the breach and requiring payment of the liquidated damages.

PART 10 ACKNOWLEDGEMENTS

21. You acknowledge that:

(a) We may in our absolute discretion cause our obligations under this Agreement to be performed, fulfilled or undertaken by a related company.
(b) You understand all the terms and conditions of and the full implications of entering into this Agreement;
(c) An opportunity has been given for you to seek legal advice with respect to the Agreement prior to signing; and
(d) This Agreement does not constitute a franchise agreement or an agreement to enter into a franchise agreement.

PART 11 MISCELLANEOUS PROVISIONS

Joint Trainees:
22. Where there is more than one person specified in **Item 2 of the Schedule** in this Agreement, the obligations duties and covenants on their part will be deemed joint and several.
Further Action:
23. Each party agrees to do all things as may be necessary or desirable to give full effect to every part of this Agreement.
Entire Agreement:
24. This Agreement records our entire agreement as to the subject matter of this Agreement. Any prior discussions or negotiations not recorded in this Agreement are deemed to be of no effect.
Waiver:
25. If we ignore or fail to enforce any breach of this Agreement by you, this does not mean that we will in the future ignore or be prevented from enforcing a similar or any other breach of this Agreement.
Governing Law:
26. This Agreement will be governed by and construed in accordance with the laws of the State of New York or, where applicable law requires, the laws of the State in which you reside. The parties agree that any franchise law, business opportunity law or consumer protection act of the State of New York, now in effect or adopted or amended after the date of this Agreement, will not apply to persons located outside the State of New York by virtue of this choice of law, unless they fall within the specific scope of that law. The parties submit to the jurisdiction of the courts in the County or New York, New York or in the county where you reside and waive any right to object to either location being inconvenient. THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE LAW .
Severability of terms:
27. The terms of this Agreement will be interpreted so as not to infringe any law or be in any way invalid, but if any term upon its true construction does infringe any law or is invalid, it shall be read down to such extent as is necessary so that it does not infringe any such law or is invalid.
If this is not possible, the offending term will be severed from this Agreement without affecting the validity of the remaining terms of this Agreement.
Variation:
28. No part of this Agreement may be amended or modified unless reduced to writing and signed by the parties or their authorised representatives.
Service of notices
29. Any notice that that is required to be given under this Agreement must be in writing. It may be:
(a) hand delivered – in which case the notice will be deemed to have been received once it has been delivered;
(b) transmitted by facsimile if the recipient has facilities for the transmission of documents by facsimile – in which case the notice will be deemed to have been given at 9.00 am on the next business day following the date of transmission;
(c) mailed by certified or registered mail – in which case the notice will be deemed to have been given at 5.00 pm on the second business day following the date of posting.
Notices to be given to us by you or the Guarantors must be delivered, transmitted or mailed to our head office. Notices to be given to you by us must be delivered, mailed or transmitted to either your head office, the last known address of the Guarantors. Notices to be given to the Guarantors by us must be delivered, mailed or transmitted to the last known address of the Guarantors.

Special Conditions
30. Any special conditions set out in **Item** 4 **of the Schedul**e:
(a) bind the parties, and
(b) if inconsistent with any other conditions of this Agreement, override them.
Interpretation:
31. In this Agreement, unless the subject or context otherwise requires:-
(a) Words importing the singular include the plural and vice versa;
(b) Words importing one gender include the other genders and references to persons include corporations and vice versa;
(c) A reference to any party or other person includes that person's successors and permitted assigns;
(d) A reference to a statute, ordinance or other legislation includes any amendment, replacement or re-enactment thereof for the time being in force and includes all regulations, by-laws and statutory instruments made thereunder;
(e) A reference to those or any other document includes a reference to that document as amended, supplemented, novated or replaced from time to time;
(f) A reference to a recital, clause or annexure is a reference to a recital, clause or annexure of this Agreement;
(g) Where a party comprises two or more persons any agreement or obligation to be performed or observed by that party binds those persons jointly and each of them severally, and a reference to that party is deemed to include a reference to any one or more of those persons;
(h) The headings in this Agreement are not to affect its interpretation;
(i) The recitals and annexure form part of this Agreement.

SCHEDULE

Item 1: Date of Agreement:
Item 2: The Trainee:
Full Name:
Address:

Item 3 Training Fee $3,000 (plus applicable taxes) and $7,000 (plus applicable taxes). The training fee is payable as follows:
(a) a deposit of $3,000 (plus applicable taxes) upon signing this Agreement – this sum is not refundable under any circumstances.
(b) $7,000 (plus applicable taxes) in accordance with clause 5;
(c) the sums referred to below (which are exempt from applicable taxes) in accordance with clause 5, for your enrolment into the following additional courses:

- Food Safe - $80;
- First Aid – Level 1 - $80.
- 4 Additional Leadership courses

Item 4 Special Conditions
Please provide your uniform size in the space provided
______________________________.

As evidence of their intent to be legally bound the parties have signed this Agreement as at the date specifying in Item 1 of the Schedule.

EXECUTED by **COBS USA Inc.**
by an authorised officer in the presence of:

……………………………………………………………..
Signature of witness

……………………………………………………………..
Full name of witness

……………………………………………………………..
Signature of authorised Area Manager/RDM of COBS USA Inc.

……………………………………………………………..
Full name of authorised Area Manager/RDM of COBS USA Inc.

SIGNED by the Trainee in the presence of:

……………………………………………………………..
Signature of witness

……………………………………………………………..
Full name of witness

……………………………………………………………..
Signature of trainee

……………………………………………………………..
Full name of trainee

EXHIBIT L

DIRECT DEBIT REQUEST AND AUTHORITY

Franchisee Payment Policy

COBS Bread

Acceptable Forms of Payment

Acceptable forms of payment under the COBS Bread Franchisee Payment Policy include Pre-authorized Debit (PAD), Transfer, Wire Payment, and Draft. Details on which forms of payments are acceptable for which type of transaction are provided below:

Pre-Authorized Debit – Direct Debit
(See form attached)

- Corporate Bakery Settlement Items
- Commitment Fees
- Training Fees
- Deposits
- General Payments

Transfer, Wire Payment, or Bank Draft
(See details attached)

- Commitment Fees
- Training Fees
- Bakery Purchase
- Settlement Funds for franchise to franchise purchase

Transfer Instructions

If you are banking with the Toronto Dominion Bank, TD can simply debit the amount from your TD account and transfer the amount into the COBS Bread TD account.

COBS Bread TD Account:

Account Name:
BD CANADA LTD.
COBS BREAD
210-1100 MELVILLE ST
VANCOUVER, BC
V6E 4A6

Account Number:
Bank No: 004
Transit: 94000
Account Number : 09025385360

If you are banking with a different financial institution (not TD), you will need to complete payment in the form of a draft or wire payment.

Draft Instructions

Request a draft from your financial institution, and deposit it to COBS Bread's TD account at any TD bank branch. Drafts should be payable to BD CANADA LTD.

COBS Bread TD Account:

Account Name:
BD CANADA LTD.
COBS BREAD
210-1100 MELVILLE ST
VANCOUVER, BC
V6E 4A6

Account Number:
Bank No: 004
Transit: 94000
Account Number : 09025385360

Wire Payment Instructions

Payments coming in Canadian or Foreign currencies should read as follows:

Paying Bank:	THE TORONTO-DOMINION BANK Toronto, Ontario Canada SWIFT CODE: TDOMCATTTOR
Beneficiary Bank:	THE TORONTO-DOMINION BANK 700 West Georgia Street Vancouver, B.C., Canada Transit #94000 Bank #004
Payment Details:	for further credit to: BD CANADA LTD. COBS BREAD 210-1100 MELVILLE ST VANCOUVER, BC V6E 4A6 ACCOUNT 0902 – 5385360 CURRENCY: CAD

Direct Debit Authorization Form

Request and Authority to Debit	**Company Name** **Business Number** **Bakery Name** **Bakery Number:** Request and authorize BD Canada Ltd. to arrange for amounts due, as a result of weekly levies, rent due and/or general purchases made, to be debited from an account held at the financial institution identified below subject to the terms and conditions of the Client Service Agreement [and any further instructions provided below].
Frequency and amounts	Debits will be made on the due date as detailed on the relevant invoice or statement. The amount of each debit will correspond to the total amount due as detailed in the relevant invoice or statement.
Insert name and address of financial institution where account is held	**Financial Institution Name** **Financial Institution Address** **City** **Province** **Postal Code**
Insert details of account to be debited (attach void cheque)	**Account Name** **Bank Number** **Transit Number** **Account Number**
Acknowledgment	By signing this Direct Debit Request you acknowledge having read and understood the terms and conditions governing the debit arrangements between you and BD Canada Ltd. (COBS Bread) as set out in this request and in your Direct Debit Client Service Agreement.
Insert your signature and address	**Signature** **Name** **Capacity** (If signing for a company, print full name and capacity for signing, e.g. Director) **Address** **City** **Province** **Postal Code** **Date**

Direct Debit Request

Client Service Agreement

Definitions

account means the account held at your financial institution from which we are authorized to arrange for funds to be debited.

agreement means this Client Service Agreement between you and us.

business day means a day other than a Saturday, Sunday or public holiday or bank holiday as listed throughout Canada.

debit day means the day that payment by you to us is due.

debit payment means a particular transaction where a debit is made.

direct debit request means the Direct Debit Request between you and us.

us or **we** means BD Canada Ltd. (COBS Bread) you have authorized by signing a direct debit request.

you means the customer who signed the direct debit request.

your financial institution is the financial institution where you hold the account that you have authorized us to arrange to debit.

1. Debiting your account

1.1 By signing a direct debit request, you have authorized us to arrange for funds to be debited from your account. You should refer to the direct debit request and this agreement for the terms of the arrangement between you and us.

1.2 We will only arrange for funds to be debited from your account as authorized in the direct debit request.

1.3 If the debit day falls on a day that is not a business day, we will direct your financial institution to debit your account on the following business day. If you are unsure about which day your account has or will be debited you should ask your financial institution.

1.4 If you have not provided the information required by us to debit your account by the debit day we will direct your financial institution to debit your account at the time that this information is received by us.

1.5 Where a date is entered on a direct debit request that is when the debit will commence. Should a commencement date be excluded from a direct debit request we will advise you, in writing, the details of the drawing arrangements at least 14 days prior to the first drawing.

2. Changes by us

2.1 We will not change the amount or frequency of drawings without your prior approval, unless provisions for such variations are detailed on a direct debit request.

2.2 We reserve the right to cancel the direct debit request if one or more drawings are returned unpaid by your financial institution and to arrange with you an alternative payment method.

3. Changes by you

3.1 Subject to 3.2, 3.3 and 3.4, you may change the arrangements under a direct debit request by contacting us via email at Direct.debits@cobsbread.com

3.2 If you wish to stop or defer a debit payment you must notify us by email at Direct.debits@cobsbread.com at least seven (7) business days before the next debit day. This notice should be given to us in the first instance.

3.3 You may also cancel your authority for us to debit your account at any time by giving us seven (7) business days' notice in writing before the next debit day. This notice should be given to us in the first instance. You may also cancel your authority with your financial institution.

3.4 Your ability to cancel, defer or stop a debit payment under Section 3 of this agreement may be limited with respect to other agreements you may have with us. Where you have other agreements with us that conflict with your rights under Section 3 of this agreement, the terms of the other agreements shall prevail.

3.5 You may obtain a sample cancellation form, or further information on your right to cancel the direct debit agreement at your financial institution or by visiting www.cdnpay.ca.

4. Your Obligations

4.1 It is your responsibility to ensure that there are sufficient clear funds available in your account to allow a debit payment to be made in accordance with the direct debit request.

4.2 If there are insufficient clear funds in your account to meet a debit payment:

(a) you may be charged a fee and/or interest by your financial institution;

(b) you may also incur fees or charges imposed or incurred by us; and

(c) you must arrange for the debit payment to be made by another method or arrange for sufficient clear funds to be in your account by and agreed time so that we can process the debit payment.

4.3 You should check your account statement to verify that the amounts debited from your account are correct.

4.4 It is your responsibility to ensure that the authorization given to draw on the nominated account is identical to the account signing instruction held by the Financial Institution where the account is held.

4.5 It is your responsibility to advise us if the account nominated by you to make the debit payment is transferred or closed. It is your responsibility to arrange with us a suitable alternate payment method if this arrangement is cancelled, either by yourselves, or your financial institution.

5. Dispute

5.1 You have certain recourse rights if any debit does not comply with this agreement. For example, you have the right to receive reimbursement for any debit that is not authorized or is not consistent with this agreement.

5.2 If you believe that there has been an error in debiting your account, you should notify us directly at Direct.debits@cobsbread.com and confirm that notice in writing with us as soon as possible so that we can promptly resolve your query.

5.3 If we conclude as a result of our investigations that your account has been incorrectly debited we will respond to your query by arranging for your financial institution to adjust your account (including interest and charges) accordingly. We will also notify you in writing of the amount by which your account has been adjusted.

5.4 If we conclude as a result of our investigations that your account has not been incorrectly debited we will respond to your query by providing you with reasons and any evidence for this finding.

5.5 Any queries you may have about an error made in debiting your account should be directed to us in the first instance so that we can attempt to resolve the matter between you and us. If we cannot resolve the matter you can still refer it to your financial institution which will obtain details from you of the disputed transaction and may lodge a claim on your behalf.

6.	**Accounts**		You should check:

(a) with your financial institution whether direct debiting is available from your account as direct debiting is not available on all accounts offered by financial institutions;

(b) your account details which you have provided to us are correct by checking them against a recent account statement; and

(c) with your financial institution before completing the direct debit request if you have any questions about how to complete the debit request.

7. Confidentiality

7.1 We will keep any information (including your account details) in your direct debit request confidential. We will make reasonable efforts to keep any such information that we have about you secure and to ensure that any of our employees or agents who have access to information about you do not make any unauthorized use, modification, reproduction or disclosure of that information.

7.2 We will only disclose information that we have about you:

(a) to the extent specifically required by law; or

(b) for the purposes of this agreements (including disclosing information in connection with any query or claim).

8. Notice

8.1 If you wish to notify us in writing about anything relating to this agreement, you may email Direct.debits@cobsbread.com or write to COBS Bread, 210-1100 Melville Street, Vancouver, BC V6E 4A6 or send a fax to 604-294-6400.

8.2 We will notify you by sending a notice via email or ordinary post to one of the addresses you have given us in the direct debit request.

8.3 Any notice by ordinary post will be deemed to have been received two business days after it is posted. Any notice by email will be deemed to have been received the next business day.

EXHIBIT M

TABLE OF CONTENTS OF THE OPERATIONS MANUAL

Operations Manual

Operations Manual

EXHIBIT N

CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

The undersigned is interested in becoming a COBS Bread franchisee and wishes to have access to certain confidential information of BD Canada Ltd. (the "Franchisor"). The Franchisor is prepared to disclose this confidential information to the undersigned for consideration and evaluation, subject to the following:

"Confidential information" means all information, whether oral, written or in electronic form, provided by or on behalf of the Franchisor to the undersigned, including, but not limited to information relating to:

a) the practices, business dealings, trade secrets, documents and affairs (financial and otherwise) of the Franchisor or any of its related companies or subsidiaries;
b) the techniques and methods of merchandising, budgeting and market analysis used by the Franchisor and its related companies and subsidiaries; and
c) the terms of the prospective franchise agreement and other agreements associated with operating a COBS Bread franchise, including all negotiations between the undersigned and the Franchisor in connection therewith.

Confidential information excludes any information which (a) is public knowledge or hereafter becomes public knowledge through no fault of the undersigned; (b) was known by the undersigned prior to its disclosure by or on behalf of the Franchisor; or (c) is acquired by a third party who is under no obligation of confidentiality to the Franchisor.

The undersigned agrees as follows:

1. I will use all information provided to me by or on behalf of the Franchisor solely for the purposes of investigating the COBS Bread franchise opportunity.

2. I will keep confidential all confidential information provided to me by or on behalf of the Franchisor and will not disclose it at any time to any person, except to my financial and legal advisors who are assisting me in deciding whether to pursue a COBS Bread franchise.

3. I will not, without the Franchisor's prior written consent, make any copies whatsoever of any of the information or documents furnished to me and will take all other reasonable steps to protect their confidentiality.

4. In the event that I determine that I do not have any interest in the COBS Bread franchise opportunity, I will promptly return all information I have received to the Franchisor.

5. If I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the confidential information, I will provide the Franchisor with immediate written notice of the requirement. Franchisor may seek a protective order or other appropriate remedy or may waive compliance with the confidentiality provisions of this Agreement. If a protective order or other remedy is not obtained, or Franchisor waives compliance with

the confidentiality provisions of this Agreement, I will furnish only that portion of the confidential information that it is advised by written opinion of my legal counsel is legally required, and will cooperate in efforts by the Franchisor to obtain assurances that confidential treatment will be accorded to the information being disclosed.

6. Failure to comply with any provision of this Agreement will cause Franchisor irreparable harm and that Franchisor may bring an action in any court having jurisdiction in connection with such failure and may seek damages, equitable relief (including, without limitation, specific performance, an injunction, or a restraining order), or both. I irrevocably and unconditionally consent to the jurisdiction of the courts of the County of New York, New York for any actions, suits or proceedings arising out of or relating to this Agreement and waive any objection to such venue, including, without limitation that the forum is inconvenient. If Franchisor commences any proceeding relating to this Agreement and a court of competent jurisdiction or arbitrator determines that I have breached my obligations under this Agreement, I will be liable for and will pay to Franchisor the legal fees incurred by Franchisor in connection with such proceeding.

7. I may not assign this Agreement.

I acknowledge that I have read and understand this Confidentiality Agreement and agree to the terms and conditions set out above.

Date:______________________________

Signature: __________________________

Name: _____________________________

EXHIBIT O

TRAINEE AND TRAINER OBLIGATIONS BOOKLET

COBS Bread Training Program
TRAINER AND TRAINEE OBLIGATIONS



VERSION 2.0 JANUARY 2016

Table of Contents

INTRODUCTION

COBS Bread recognizes the importance of having new franchisees trained to operate their own bakeries. A well-trained franchisee should be able to settle quickly into their Bakery and start producing positive results in a short period of time.

In order to meet our goal of training new franchisees to operate their stores, COBS Bread has developed a training system that aims to ensure that all new trainees are equipped with the basic skills, knowledge and attributes necessary to operate a franchise successfully.

The training program will describe what the trainee/s has to achieve and how they will achieve it.

This document serves to outline the training process and obligations of all parties, to ensure complete understanding between parties involved.

This document contains:

1. Outline of the competency based training process

2. The obligations of all parties concerned

3. Acknowledgement of agreement and understanding

If you have any queries regarding the contents of this document, please feel free to contact your COBS Bread Training and Development Consultant.

COMPETENCY BASED TRAINING

Competency Standards

In pursuing a ‘competency based’ approach to training and assessment of trainee franchisees, it is fundamental to establish a clear understanding and a sound working knowledge of what is meant by the term ‘competency standard’.

A competency standard incorporates all the skills, knowledge and attributes required for effective performance in a particular job role or function.

To achieve competency, the trainee/s must be able to transition and apply the learning in the workplace. Assessment of the trainee against the competency standards is conducted in the workplace by an assessor approved by COBS Bread. The assessor will deem the trainee ‘competent’ or ‘not yet competent’. If a trainee is found to be ‘not yet competent’ against any of the performance criteria contained in a competency standard, they will have the opportunity to be re-assessed after further training is completed to reach full competency within reason as per the training program timeframe.

THE TRAINING PROCESS

Competency based training (CBT) is different from other forms of training because in CBT the training is based on the outcomes of that training. What the participants can do at the end of the training provides the focus for the training.

Competency based training is directly focused on the utility, relevance and application of the learning material through providing examples, practice and emphasis on existing (and future) job role needs.

The trainee/s must demonstrate competency in every learning outcome described in the individual modules. The time taken to gain competence in a module will be dependent upon the learning ability of the trainee. The trainer is required to pass on the outlined knowledge, skills and behaviours to the trainee, who will then be assessed against the performance criteria as 'competent' or 'not yet competent'.

For the trainee/s to be eligible to continue in the training program, they must be able to demonstrate progress in attaining competence in the stated learning outcomes. Where the trainee's progress is deemed to be unsatisfactory, a review process will be undertaken by the training department, trainer and trainee/s to examine reasons for the lack of progress.

- Persons undertaking the COBS Bread Training Program as trainee are required to complete and be assessed as competent in all modules and learning outcomes as per the requirements of the COBS Bread training agreement.

- Persons undertaking the COBS Bread Training Program will be issued with relevant learning resources as they progress through the program.

- Persons undertaking the COBS Bread Training Program will be required to attend all scheduled off-the-job training sessions/workshops as part of the overall competency based training program.

The trainee is required to complete the following training courses:

Internal Courses - To attend as courses are available

Financial Management	Preventative Maintenance
Training Essentials	Attracting Top Talent
Progressive Discipline	Operational Excellence

External Training–Franchisee to register for Provincial training accordingly

Food Safe
First Aid

If the trainee has already completed the external course, please provide documentation that is current. Expired certificates will not be recognized.

OBLIGATIONS

It is a requirement that this document be read thoroughly to ensure total understanding of the obligations and responsibilities of all parties before signing this document. If you have any questions regarding any of these conditions, please contact your COBS Bread Training and Development Consultant.

Obligations of the Trainer

This document is to be read and used by trainer/s in conjunction with the COBS Bread Competency Based Training program.

1. Performance of the trainer will be measured by the franchisor via the ability of the trainee to carry out the duties and functions as described in the training program. All trainers will be required to adhere to the training bakery criteria as set out by the franchisor prior to training taking place.

2. The first three (3) weeks of training serves as an orientation period for the trainee, trainer and COBS Bread. After this time, consideration will be given to either continuing or terminating the training program. The trainer is to follow the training plan provided by COBS Bread.

3. The trainer to be available for weekly training/assessment meetings.

4. The major objective of the trainer is to impart both practical experience and theoretical knowledge and to ensure that the trainee reaches the required standard of competence. This will enable the trainees to confidently carry out the functions necessary to successfully operate a COBS Bread franchise.

5. During training, the trainer at all times must strictly adhere to COBS Bread policies and procedures. Only approved procedures are to be presented during the training program.

6. The trainer shall ensure that every aspect of the competency based training program is covered in full and that evaluation meetings are attended regularly with the COBS Bread Training and Development Consultant to report on the progress of the trainee.

7. The trainer will, at all times, encourage the trainee to progress at a steady pace but under no circumstances should the trainee be pushed beyond his/her capabilities. This would lead to loss of interest and eventual dissatisfaction with the trainer and/or COBS Bread by the trainee.

8. The trainer's fee will only be paid after the trainers performance has been assessed and authorised by the COBS Bread Training and Development Consultant and records of the trainee's assessment results have been recorded on the COBS Bread database. In some instances the principal trainee may re-locate to another bakery during the training period.

9. Trainers are to assist the trainee to understand the totality of running a business. In particular, the working atmosphere in the business and the ambience felt by the customers. Creating this atmosphere and ambience can only be achieved with a genuine commitment from the trainer in demonstrating the standard of quality and service required in every aspect of a COBS Bread franchise.

10. As the trainee must accept considerable responsibility for his/her own learning, it is critical for the trainer to encourage the trainee to be fully involved in the training program.

11. The trainer must keep the trainee fully informed as to his/her progress throughout the program and provide assistance to the trainee on areas requiring improvement.

12. The trainer shall report to the Training and Development Consultant should any training related problems arise during the training program, or any concern for the ability of the trainee to attain the required knowledge and skills.

13. The success of the training program is dependent on the level of dedication and effort put in by all concerned. The relationship between trainer and trainee must be one of harmony and understanding at all times. Should personal differences or any other grievances become apparent during the training period, refer to the "COBS Bread Training Program" white pamphlet – grievance procedure.

14. On completion of the competency based training program, the trainee should be ready to open his/her own bakery. Once this bakery opens, it is a requirement of the trainer to assist in the store opening over a period of 40 hours. This time may be divided between the sales and production areas of the bakery, before, during or after the actual opening, and either with the franchisee, franchisee partner, bakery manager, production manager or bakery employees. During this time, the trainer is to provide practical support to the new franchisee with the overall operation of that bakery.

15. The presence of the trainee in a training bakery must only be viewed as an extra over and above the normal staffing levels of that bakery. Trainees are not to be included on any staffing rosters for the duration of the training program unless to test competency and provide realistic working conditions.

16. The trainer is required to acquaint the trainee with the operation of a variety of bakeries in the local area during the training period.

    Should it become apparent that the trainee is in need of extra training in any area, further training is to be arranged through the COBS Bread Training and Development Consultant within reason as per the training period.

17. Should any deficiencies be identified in the ability of the trainer to adequately carry out his/her training duties, this is to be addressed by the COBS Bread Training and Development Consultant who will investigate appropriate solutions. This may involve providing additional training for the trainer as relevant or relocating the training.

18. It is the duty of the designated trainer to bring to the attention of the COBS Bread Training and Development Consultant any areas in the training program requiring clarification.

19. The trainer is to convey to the COBS Bread Training and Development Consultant any comments regarding additions, alterations or deletions that might improve the overall training program.

Obligations of the Trainee/s

This document is to be read and used by the trainees in conjunction with the COBS Bread Training program.

1. It is the responsibility of the trainee/s to fully involve themselves in the COBS Bread Training Program. Trainees are expected to fulfill the requirements set out in the Training Program. This includes adhering to the schedule set out by the trainer including training in high volume periods, such as weekends and holidays.

2. The trainee/s is required to undertake and successfully complete all modules and learning outcomes outlined in the training program, and other courses deemed necessary by the franchisor and stated in Item 3C of the Training Agreement. The trainee/s are to attend these courses outside of the agreed training times or at times mutually agreed between him/herself, the trainer and COBS Bread Training and Development Consultant.

3. The trainee/s are required to meet with the trainer at the agreed times, attend scheduled training sessions and be prepared to learn all topics that the trainer presents.

4. The COBS Bread Training Program requires the trainee to continually be assessed by the trainer and/or assessor to determine the trainee's progress, and his/her acquisition of skills and knowledge. In order to achieve competence in the designated topics, the trainee must be able to demonstrate the necessary skills, knowledge and behaviours to a competent level and complete all assessment tasks set by the trainer and/or assessor.

5. The first three (3) weeks of training serves as an orientation period for the trainee/s, trainer and COBS Bread. After this time, consideration will be given to continuing or terminating the training program. The trainee must follow the training tasks as outlined in the 3 week training plan.

6. The trainee is to attend weekly training/assessment meetings.

7. The trainee/s are to attend and participate in regular meetings with the trainer and/or franchisor to report on his/her progress. Should it become apparent that a trainee is experiencing difficulties in gaining the stated skills and knowledge from the trainer, the trainee is to request extra assistance to overcome these difficulties.

8. It is the responsibility of the trainee/s to ensure that all topics included in the training program are presented by the trainer.

9. Before being eligible to commence operation as a franchisee, the trainee must complete all of the modules in the COBS Bread Training Program to a competent level.

10. The trainee must wear the full COBS Bread uniform as stated in the official dress code at all times when training in a training bakery.

Obligations of the Support Office

1. Allocate a designated training bakery to conduct the training.

2. Provide information and resources on the training process to the trainee/s and the trainer prior to the commencement of training.

3. Continually assess the effectiveness of the training program.

4. Visit the trainee/s in the training bakery regularly during the training period, to assess progress towards competency in comparison to standards detailed in the COBS Bread Training Program and ensure all obligations and responsibilities of the training bakery are being met.

5. If training is conducted in remote locations, regular contact with the trainee/s and trainer, may be via phone, fax, e-mail, etc. This type of contact is to be established prior to the commencement of training.

6. Assess, track and record the progress of the trainee/s throughout the training period.

7. Facilitate and conduct regular meetings with the trainee/s, trainer, COBS Bread training and development representative to address any training related concerns from the principal and partner trainee, trainer or Bakers Delight Holdings.

8. Adhere to all COBS Bread policies and procedures, all compliance and legislative requirements, and act in a professional and ethical manner at all times.

ACKNOWLEDGEMENT OF AGREEMENT AND UNDERSTANDING

Please read the information contained in this document carefully before signing this acknowledgment.

I, ……………………………… as the Trainee, have read and understood the information contained in this document.

I agree to adhere to all obligations as outlined in this document.

Signed: ………………………………………….

Print name: ……………………………………..

Date: …………………………………………….

I, ……………………………… as the Trainer, have read and understood the information contained in this document.

I agree to meet and adhere to all obligations as outlined in this document.

Signed: ………………………………………….

Print name: ……………………………………..

Date: …………………………………………….

EXHIBIT P

FRANCHISEE COMPANY STRUCTURE POLICY

FRANCHISEE COMPANY STRUCTURE POLICY

There is a unique relationship between a Franchisor and **Franchisee**. This relationship is documented in the Franchise Agreement. The Franchise Agreement details the obligations and responsibilities of the Franchisor, **Franchisee**, **Bakery Principal** and **Guarantors** and in respect to the operation and management of the bakery. This document outlines the legal entities and structures permitted by the Franchisor.

Definitions

Franchisee – the legal entity that is party to the Franchise Agreement and owns and operates the Bakery Business.

Bakery Principal – is nominated by the **Franchisee** and is the person who has completed the required training of the Franchisor. This person will be the primary person responsible for the day to day management of the Bakery Business and with whom the Franchisor will communicate with in regards to the Franchise Agreement and operation of the Bakery Business.

Common Law Partner – is either of the opposite sex or same-sex and has been living together with the **Bakery Principal** in a conjugal relationship for at least one year.

Guarantors – shall be:

(a) the **Bakery Principal**;

(b) the **Bakery Principal's** spouse or **Common Law Partner**;

(c) where the **Franchisee** is a company, the directors and shareholders of the **Franchisee** and their spouses or **Common Law Partners**;

(d) any other person required by the Franchisor to guarantee the **Franchisee's** obligations under the Franchise Agreement.

The spouse or **Common Law Partner** will be required to be a **Guarantor** of the Franchise Agreement even if they are not a Director and/or Shareholder.

Possible Legal Entities and Structures

There are a number of possible legal entities and structures the **Franchisee** can operate under. Please note that it is essential that you obtain advice from your Lawyer, Accountant and/or Financial Adviser when deciding on what legal entity and structure you should have as the **Franchisee** and to operate the Bakery Business. We advise that you should provide this policy as reference material to your Lawyer, Accountant and/or Financial Adviser.

(a) **Sole Proprietorship** – a type of business entity that is owned and run by one individual and in which there is no legal distinction between the owner and the business. This person, as the **Bakery Principal**, would have completed the required training of the Franchisor.

(b) Partnership – Partnerships are not permitted in the Bakers Delight Network.

(c) Company – A company is a separate legal entity capable of owning assets in its own name. A company can own and operate a Bakery Business. The types of companies permitted are as follows:

<u>One Director</u> Company:

If there is one director this person must be the **Bakery Principal** and must guarantee the obligations of the **Franchisee** company under the Franchise Agreement. The director is to own at least 51% of the shares in the company. Any other shareholder of the company must be approved by the Franchisor.

<u>Two Director Company</u>:

If the company is a two director company the directors and shareholders and their spouses or **Common Law Partners** must guarantee the obligations of the **Franchisee** company under the Franchise Agreement. The **Bakery Principal** must own at least 51% of the shares in the company. Any other shareholder of the company must be approved by the Franchisor. The **Bakery Principal** and their spouse or **Common Law Partner** and any other directors and shareholders of the **Franchisee** and their spouses or **Common Law Partners** must guarantee the performance of the **Franchisee** and will be required to sign the Franchise Agreement as **Guarantors**.

Guarantors - In all cases above, the **Guarantors** to be named in the Franchise Agreement will be the **Bakery Principal**, the spouse or **Common Law Partner** of the **Bakery Principal**, the directors and shareholders of the **Franchisee** and their spouses or **Common Law Partners** (where the **Franchisee** is a company) even if they have no involvement or have no financial interest in the Bakery Business. Third party guarantors may be required by the Franchisor in certain circumstances.

Examples of Possible Franchisee Structures

Example 1:

John Smith and is wife Karen Smith are looking to purchase a Bakery Business. Below are examples of how they can structure the entity purchasing the Bakery Business and who will enter into the Franchise Agreement with the Franchisor. John Smith has completed the required training and has been approved by the Franchisor as the **Bakery Principal**.

Franchisee	Bakery Principal	Guarantor(s)
Sole Proprietor John Smith	John Smith	Karen Smith
Example of Company with a Single Director Company ABC Ltd Director John Smith Secretary John Smith Shareholder 100% John Smith	John Smith	John Smith Karen Smith
or		
Company with a Single Director and two shareholders Company ABC Inc Director John Smith Secretary John Smith Shareholder 51% John Smith 49% Karen Smith	John Smith	John Smith Karen Smith
Company with Two Directors Company XYZ Corp Director John Smith Director Karen Smith Secretary John Smith Shareholders 51% John Smith 49% Karen Smith	John Smith	John Smith Karen Smith

Example 2:

Fred and Greg Jones are brothers who also want to purchase a Bakery Business. Below are examples of how they can structure the entity purchasing the Bakery Business and who will enter into the Franchise Agreement with the Franchisor.

Fred Jones has completed the training and has been approved by the Franchisor as the **Bakery Principal**.

Franchisee	Bakery Principal	Guarantor(s)
Sole Trader Not Applicable		
Company with a Single Director Company ABC Ltd Director Fred Jones Secretary Fred Jones Shareholders 51% Fred Jones 49% Greg Jones	Fred Jones	Fred Jones (and his spouse or **Common Law Partner**) Greg Jones (and his spouse or **Common Law Partner**)
Company with Two Directors Company XYZ Inc Director Fred Jones Director Greg Jones Secretary Fred Jones Shareholders 51% Fred Jones 49% Greg Jones	Fred Jones	Fred Jones (and his spouse or **Common Law Partner**) Greg Jones (and his spouse or **Common Law Partner**)

Aspects of the COBS Bread Franchise Agreement

Other unique aspects of the COBS Bread Franchise Agreement are as follows:

1. **Restructuring of the franchise legal entity and structure** – at no time over the term of the Franchise Agreement can the entity be restructured (e.g. where the Franchisee is a company, the directors and shareholders cannot be changed) without the prior written consent of COBS Bread.

2. **Bakery Principal is incapacitated or dies** – if the **Bakery Principal** ceases to be involved in the bakery business due to their death or incapacity, the Franchisor has the right to take over the operation and manage the Bakery Business for a period of no longer than twelve months.

3. **Restraints on the Bakery Principal** – unless otherwise agreed by COBS Bread at no time during the term of the Franchise Agreement is the **Bakery Principal** to be involved with any other business or employment which would interfere with the operation of the Bakery Business.

Please note that the **Bakery Principal** is required to devote his or her whole time and attention to the Bakery Business during normal business hours. There is an exception: in the case of multi-site franchisees where different rules apply as set out in the Franchise Agreement.

4. **Separation of Bakery Principal and Guarantor** – if the **Bakery Principal** and the **Guarantor**, being their respective **Common Law Partner** or spouse separate, the Franchisor has a right to take over the management of the Bakery Business. If within six months of the separation the **Bakery Principal** has not purchased the other partner's interest in the Bakery Business, the Bakery Business must be put on the market for sale. If within twelve months of the separation the Bakery Business has not been sold, the Franchisor may at its option instigate and implement the process to terminate the Franchise Agreement.

5. **Shareholders' Agreement** - if the **Franchisee** has more than one shareholder and the shareholders are not related (i.e. not married or **Common Law Partners**) the shareholders must enter into a Shareholders' Agreement the terms of which shall be approved by the Franchisor.

6. **Company Names** - **Franchisees** cannot include in their Company Name the words "COBS Bread".

If you have any questions or queries regarding this policy please contact your Franchise Manager.

EXHIBIT Q

LIST OF CURRENT FRANCHISEES AND FRANCHISEES WHO HAVE LEFT THE SYSTEM

Canadian Franchisees as at June 30th, 2022					
Bakery	**#**	**Franchisee**	**Company Name**	**Tel. Number**	**Bakery Address**
Edgemont	9001	Ken Hsiao	HC Foods	(604) 904-9909	3105 Edgemont Blvd North Vancouver, BC V7R 1P1
West 4th	9002	Brinder Bains	Fornax Holdings Limited	(604) 714-4070	2320 West 4th Avenue Vancouver, BC V6K 1P1
South Point Annex	9004	Ming Shum	Behl Investments Inc.	(604) 538-3844	104-2990 152nd Street Surrey, BC V4P 1G6
Kerrisdale	9005	Danny Goepel	0780500 B.C. Limited	(604) 261-5383	2174 West 41st Avenue Vancouver, BC V6M 1Z1
Kensington Square	9007	Scott Barnicoat	Canaussie Bakers Ltd.	(604) 205-6937	141-6558 Hastings Street Burnaby, BC V5B 1S2
Main Street	9008	Andrew Gunn	M&A Baking Inc.	(604) 708-4935	2924 Main Street Vancouver, BC V5T 3G3
Davie Street	9009	Brinder Bains	Fornax Holdings Limited	(604) 681-0689	1160 Davie Street Vancouver, BC V6E 1N1
Parkgate Village	9011	Andrew Lee	JAS Bread Limited	(604) 924-9726	102-1169 Mt Seymour Rd North Vancouver, BC V7H 2Z4
Ocean Park	9012	Karyn Trombley	1148911 B.C. LTD	(604) 531-0016	12857 16th Avenue Surrey/WhiteRock, BC V4A 1N5
Commercial Drive	9013	Hima Zaidi	Hawahana Holdings Inc.	(604) 216-2916	1748 Commercial Drive,Vancouver,V5N 4A5,BC
Capilano Mall	9014	Branden Ji	IB Enterprises Limited.	(604) 924-5374	22-935 Marine Drive North Vancouver, BC V7P 1S3
Guildford Town Centre	9017	Greg Leland	1117978 B.C. LTD.	(604) 585-7262	1284-15170 104th Avenue Surrey, BC V3R 7B7
Oak Bay	9018	Mahmoud Ahmed Ghonein	DICENTI BREAD CORP.	(250) 592-8687	2178 Oak Bay Avenue Victoria, BC V8R 1E9
Clayton Crossing	9022	David Riggs	THE RIGGS DOUGH COMPANY LTD.	(604) 574-2917	103-18775 Fraser Hwy Surrey, BC V3S 7Y3
Blundell	9023	Andrew Gunn	GUNN FAMILY BAKING INC.	(604) 204-2350	180-8180 No. 2 Road. Richmond, BC V7C 5K1
Mission Hills	9025	Nikolas Van Egdom	1273938 B.C. LTD.	(604) 814-2507	Unit 219, 32530 Lougheed Hwy, Mission, BC, V2V 1A5
Cottonwood Mall	9026	Jody Crane	Knead It Breads Limited	(604) 824-9269	204-45585 Luckakuck Way Chilliwack, BC V2R 1A1
Shelbourne Plaza	9027	Warren Fergus	Moonstruck Bakery Inc.	(250) 381-9455	12-3639 Shelbourne St, Victoria, BC V8P 4H1
Gladwin Crossing	9028	Brian Rooke	NOVUS VENTURES INC.	(604) 556-7725	111-2777 Gladwin Road Abbotsford, BC V2T 4V1
Semiahmoo	9030	Kiran Behl	Behl Investments Inc.	(604) 535-9338	141A - 1711 152 Street Surrey, BC V4A 4N3
Spall Road	9031	Cory Eaton	Eaton Ventures LTD.	(250) 861-1891	106-1889 Spall Road Kelowna, BC V1Y 4R2
Walnut Gate	9033	Jackson Lee	1271083 B.C. LTD.	(604) 513-9984	175 - 20330 88th Avenue Langley, BC V1M 2Y4
Millstream Village	9035	Dale Crozier	DCC Enterprises Inc.	(250) 391-9244	157-2401 Millstream Road Langford, BC V9B 3R5
Scott 72 Centre	9036	Roana Paulin-Francisco	R & G Paulin Bakery Inc	(604) 572-8663	7243 120th Street Delta, BC V4C 6P5
Lonsdale Quay Market	9037	David Shane	1213584 B.C. LTD	(604) 924-5158	104-123 Carrie Cates Court North Vancouver, BC V7M 3K7
Marine Way Market	9038	Sharif Ahmed	Ukrainian Bakery Corporation	(604) 433-5771	160-7515 Market Crossing Burnaby, BC V5J 0A3
Anderson Way	9039	Heather Lastik	HILTON FAMILY BAKING CORP.	(250) 260-3733	107-4800 Anderson Way Vernon, BC V1T 9V2
Sunwood Square	9040	Ryan Klassen	Klassen's Carb Cravers Incorporated	(604) 472-1144	250-3025 Lougheed Hwy Coquitlam, BC V3B 6S2
Harris Green	9041	Josh Aspin	180 Webmedia Inc.	(250) 381-5656	140A-911 Yates Street Victoria, BC V8V 4X3
Summit	9042	Mike Fujita	LBM Holdings Limited	(250) 372-1625	C109-1180 Columbia Street W Kamloops, BC V2C 6R6
Royal Oak	9043	Warren Fergus	The Greater Fool Bakery Ltd.	(250) 479-9722	494-2002 Park Royal South West Vancouver, BC V7T 2Y5
Suter Brook	9044	Melissa Holt	JAM Bakery Inc.	(604) 461-2716	340-154 Brew Street Port Moody, BC V3H 0E7
Riverside Village	9045	Jasel Peters	JCOR Enterprises Inc	(250) 492-8670	112-300 Riverside Drive Penticton, BC V2A 9C9
Terminal Park	9049	Shelly Snure	Shelmar Bakery Ltd	(250) 591-2422	4B-1533 Estevan Rd. Nanaimo, BC V9S 3Y3
West Shore Village	9052	Mahoud Ghoneim	1966081 ALBERTA LTD.	(250) 478-1507	139-2955 Phipps Road Langford, BC V9B 0J9
Trenant Park	9053	Mark Medalla	RBK Investment Group Ltd.	(604) 946-8531	5219 Ladner Trunk Road Ladner, BC V4K 1W4
Lougheed Town Centre	9054	Helen Barabash	Ukrainian Bakery Corporation	(604) 336-0393	224-9855 Austin Road, Burnaby, BC V3J 1N4
Eagle Creek	9057	Glenn Maude	10097683 Canada Incorporated	(778) 265-6282	33 Helcken Road Victoria, BC V8Z 7Z7
Oxford Market	9058	Harald Siegemund	1130051 B.C. LTD.	(604) 773-8302	105-2020 Oxford Connector, Port Coquitlam BC, V3C 0A4
Robson St	9059	Brinder Bains	Fornax Holdings Limited	(604) 428-4247	1702 Robson Street, Vancouver, BC V6G 1C9
Westridge	9060	Ken Hsiao	1154556 B.C. LTD	(604) 459-1234	17-20691 Lougheed Hwy Maple Ridge, BC V2X 2P9
Tsawwassen Commons	9061	Jackson Lee	1124574 B.C. LTD.	(778) 865-4783	#812-4949 Canoe Pass Way, Tsawwassen, BC, V4M 0B2
Pleasant Valley	9062	Mike Humphries	Maee Holdings Ltd.	(250) 933-3323	1 - 6461 Metral Drive Nanaimo, BC V9T 2L9

Park and Tilford	9063	Heather Habib	Lewmone Holdings Ltd.	(604) 770-3220	712 - 333 Brooksbank Avenue North Vancouver, BC V7J 3S8
Willowbrook Park	9064	Mark Perrin	ALT HOLDINGS INC.	(604) 427-0388	Unit 5 - 6233 200th Street,Langley,V2Y 1A2,BC
Pine Centre	9065	Kynan Krstic	Uprise Capital Inc.	(250) 564-8600	3055 Massey Drive, Prince George, BC, V2N 2S9
Panorama Village	9066	Lisa Flemig	RISING DOUGH BAKERY CORP	(604) 296-3500	102-5717 152nd Street, Surrey, BC, V3S 9A5
Cranbrook	9067	Rodney Duggan	1185273 B.C. LTD.	(778) 517-5211	1225 Cranbrook Street, Cranbrook, BC, V1C 3S6
College Heights	9068	Kynan Krstic	Uprise Capital Inc.	(250) 964-7798	Unit 101 - 5997 Southridge Avenue,Prince George,V2N 6Z4,BC
Driftwood Mall	9069	Charlotte Seal	ELTO DEVELOPMENTS LTD	(250) 338-7116	1002B-2751 Cliffe Avenue, Courtenay, BC, V9N 2L8
Fort St. John	9070	Hardik Patel	PATEL FAMILY AND ASSOCIATE BUSINES	(250) 794-9399	9317 96 St, Fort St. John, V1J 6V5, BC
Governort's Marker	9072	Gregory Roch	1353898 B.C. LTD		2231 Louie Drive,Westbank,,BC
Crestwood	9101	Chenghai Jin	2017372 Alberta Ltd.	(780) 447-9995	9680-142nd Street NW Edmonton, AB T5N 4B2
Lakeland Ridge	9104	Bill Wood	OMWH Capital Corp.	(780) 410-9797	330-550 Baseline Road Sherwood Park, AB T8H 2G8
Riverbend Square	9106	Piyush Sethi	1951374 Alberta Ltd	(780) 434-9622	456 Riverbend Square NW, Edmonton, AB T6R 2X2
Gateway Village	9107	Jacqueline Brade-Ozsan	1701924 Alberta Ltd	(780) 458-9133	212 Gateway Village. 2 Hebert Rd. St. Albert, AB T8N 5T8
Kingsland	9108	Allison Sides	1980266 Alberta Ltd.	(403) 253-2999	104-7610 Elbow Drive SW, Calgary, AB T2V 1K2
Callingwood	9109	Mark Logan	1630662 Alberta Ltd	(780) 483-6610	112-6655 178th Street NW Edmonton, AB T5T 4J5
Westhills Towne Centre	9110	Jeremy Banning	1952603 Alberta Ltd	(403) 217-1553	236 Stewart Green Way SW, Calgary, AB T3H 3C8
Crowfoot	9111	Elshad Aliyev	1901180 Alberta Inc	(403) 239-2666	107-150 Crowfoot Crescent NW Calgary, AB T3G 3T2
Rutherford	9113	Christian Robinson	1624490 Alberta Ltd	(780) 437-9799	R100-11169 Ellerslie Rd SW Edmonton, AB T6W 0E9
Country Hills Town Centre	9114	Alejandro (Alex) Gomez	ASA Gomez Ltd.	(403) 226-5555	521-500 Country Hills Blvd NE Calgary, AB T3K 5H2
Aspen Landing	9115	Jeremy Banning	1899004 Alberta Ltd	(403) 686-7407	106-366 Aspen Glen Landing SW Calgary, AB T3H 0N5
Willow Park	9116	Stephen McQuaig	1590236 Alberta Ltd	(403) 278-6988	308-10816 Macleod Trail SE Calgary, AB T2J 5N8
Towerlane Mall	9117	Alma-Louise Norris	1652346 Alberta Ltd	(403) 980-2627	102-505 Main St. S. Airdrie, AB T4B 3K3
Namao Centre	9118	Ashish Bhatnagar	2286619 ALBERTA LTD.	(780) 456-3343	107-15941 97th St. Edmonton, AB T5X 0C7
Glenmore Landing	9119	Bishwa Pati	2341693 ALBERTA LTD.	(587) 352-4988	A110-1600, 90th Avenue SW, Calgary, AB T2V 5A8
Sherwood Centre	9120	Kalvin Kozakewich	KAKO HOLDINGS INC.	(780) 410-0149	160-1020 Sherwood Drive Sherwood Park, AB T5A 2G4
130th Avenue	9121	Floyd Yee	1860677 Alberta Corp	(403) 460-4800	309-5155 130 Ave SE Calgary, AB T2Z 0N3
Century Crossing	9122	Christopher Reich	Christopher and Jelena Reich Bakeries Ltd.	(587) 286-2627	141 Century Crossing Spruce Grove, AB T7Z 0C8
Centennial Village	9123	Kelly McKeever-Hodgins	1685877 Alberta Ltd.	(403) 995-6517	185-31 Southridge Drive Okotoks, AB T1S2N3
Shawnessy	9124	Kelly MacKeever Hodgins	1845864 Alberta Ltd	(587) 353-6517	122, 70 Shawville Blvd Calgary, AB T2Y 2Z3
The Quarry	9125	Derek Iwanicka	Harvest Four Inc.	(403) 981-1141	20-80 Bow Street Cochrane, AB T4C 0T4
Harvest Pointe	9126	Brenda Bromberger	BD Fresh Kneads Inc.	(780) 463-0697	5225 Ellerslie Road SW, Edmonton, AB T6X 1X2
Mahogany Village	9127	Stephen To	1949901 Alberta Corp.	(403) 726-9909	1350-7 Mahogany Plaza SE, Calgary, AB T5K 0G6
Southpointe	9128	Scott Wigley	1866769 Alberta Corp.	(403) 986-7582	200 -50th Avenue Red Deer, AB T4R 3A2
Marda Loop	9129	Bishwa Pati	1851784 Alberta Ltd.	(587) 349 2785	3433 22nd Street SW Calgary, AB T2J 5N8
Fort Saskatchewan	9130	Scott Holmes	SJH Fresh Dough Inc.	(587) 285-1106	111 9310 Southfort Drive, Fort Saskatchewan, Alberta, T8L 0C5
Trinity Hills	9131	Elshad Aliyev	1901180 ALBERTA INC	(587) 620-3412	128 Na'a Plaza SW, Calgary AB, T3H 6A4
Sage Hill	9132	Floyd Yee	2003753 ALBERTA LTD.	(587) 755-7272	124-65 Sage Hill Plaza NW, Calgary, AB T3R 0S4
Lethbridge South	9133	Jeremy Banning	2159415 ALBERTA LTD.	(403) 393-9286	20-21 Southgate Boulevard S Lethbridge, AB T1K 6S5
Kensington	9134	Olanike Falade	1979955 Alberta Ltd	(403) 455-8468	407 10th Street NW, Calgary, AB T2N 1W1
The Brewery District	9135	Wayne Kaiser	Jiangkai Ltd.	(780) 423-9955	11956-104 Avenue, Edmonton, AB T5K 0G6
Timberland Market	9136	Scott Wigley	1866769 ALBERTA CORP	(403) 986 6504	9101 - 499 Timberlands Drive, Red Deer, AB T4P 0Z3
Windermere Crossing	9137	Christopher Reich	Christopher And Jelena Reich Bakeries Ltd	(780) 760-2627	J103-1261 Windermere Way SW, Edmonton, AB T6W 2P3
Leduc Common	9138	Wayne Kaiser	JIANGKAIMAR LTD.	(780) 916-9819	103-5401 Discovery Way, Leduc, Alberta, T9E 8N4
Westgate Centre	9140	Jim Barkwell	2057135 ALBERTA LTD.	(780) 538-0744	103 11535 Westgate Drive, Grande Prairie, Alberta, T8V 3B1
Chestermere Station	9141	Colin Nyberg	2036123 ALBERTA LTD.	(403) 775-9273	102-100 Marina Drive, Chestermere, Alberta, T1X 0R9
West Granville Shopping Centre	9142	Michael Jugovics	2167136 ALBERTA INC	(780) 760-7237	4-7237 Winterburn Road NW, Edmonton, AB, T5T 6L3

17th Avenue	9143	Folusho Kolawole	2239500 ALBERTA LTD.	403-244-5528	Unit 835 - 17th Avenue SW, Calgary, AB, T2T 0A1
University District	9144	Allison Sides	2392366 ALBERTA INC.	(587) 482-9850	Unit 150, 4023 University Avenue NW,Calgary,T3B 6K3,AB
Eagle Ridge	9145	Muhammad Abdullah	ADM Corporation	780-792-2370	125 Eagle Ridge Boulevard,Fort McMurray,T9K 2Z7,AB
Brentwood Commons	9146	Sarah Beaunoyer	RMB Dairy Distributors Ltd.	(780) 871-2376	105-7809 44th street, Lloydminster, AB, T9V 0X9
Deerfoot City	9147	Jeremy Banning	2240712 ALBERTA LTD.	(403) 455-1563	901 - 64th Avenue, Calgary AB, T2E 7P4
Legacy	9149	Kelly McKeever-Hodgins	1954555 ALBERTA LTD.	(587) 296-1025	Unit 210 - 20 Longview Common SE, Calgary AB, T2X 4S8
Grasslands	9202	Julia Turchet	101244322 Saskatchewan Ltd.	(306) 522-2627	4620 Gordon Rd Regina, SK S7K 3W6
Lawson Heights Mall	9203	Mike Leier	102121537 SASKATCHEWAN LTD.	(306) 242 2262	136 Primrose Drive Saskatoon, SK S7K 3W6
Regina North	9204	Julia Turchet	101244322 Saskatchewan Ltd.	(306) 721-9112	3959 Rochdale Blvd Regina, SK S4X 4P7
Cory Common	9205	Micheal Jackson	102009541 Saskatchewan Ltd	(306) 242 2262	60-3270 Preston Avenue, Saskatoon, SK S7T 0Y5
Leaside	9301	Fiona Boylan	Knead Dough Inc.	(416) 322-0521	1539 Bayview Avenue Leaside, ON M4G 3B5
Lakeshore	9303	Kevin Ker	K Ker Foods Incorporated	(905) 339-2690	167 Lakeshore Road East Oakville, ON L6J 1H5
The Annex	9306	Nathan Zou	NC Bread Inc.	(416) 924-9555	370 Bloor Street West Toronto, ON M5S 1X2
Upper Oakville	9309	Nidhi Wadhwa	2442686 Ontario Inc	(905) 844-2627	C7-1011 Upper Middle Road E Oakville, ON L6H 4L1
Humbertown	9310	Raj Wadhwa	Smart Indulgences Inc.	(416) 236-3200	270 The Kingsway, Humbertown, M9A 3T7, ON
Bloor West Village	9312	Randy Johnston	2294418 Ontario Inc.	(416) 763-3200	2204 Bloor Street West Toronto, ON M6S 1N4
Meadowvale	9313	Tracey Walker	BFYT Ltd Corporation Number 1849408	(905) 567-1400	N6-6975 Meadowvale Town Centre Circle, Mississauga, ON L5N 2W7
Collingwood	9315	Andrea Sire	2738214 Ontario Inc	(705) 443-8721	151 Fir Street, Collingwood, ON L9Y 4W3
Mackenzie Glen Square	9316	John Fisher	2249939 Ontario Inc.	(289) 553-1534	B8-2810 Major Mackenzie Drive Maple, ON L6A 3L2
The Beach	9317	Mark Eden	Mathand Hospitality Inc.	(647) 352-9300	1975 Queen St. East Toronto, ON M4L 1J1
Foxcreek Plaza	9320	Curtis Charan	2312633 Ontario Inc	(905) 827-1521	26-2501 Third Line Oakville, ON L6M 5A9
Michael Angelo's Market Place	9321	Yibin Chen	2522676 Ontario Inc.	(905) 412-3141	4099 Erin Mills Parkway, Mississauga, ON L5L 3P6
Aurora Gateway	9322	Bhavin Muhktyar	Big Bite Bakery Inc.	(905) 503-3800	Building B Unit 5 676 Wellington St. E, Aurora, ON L4G 0K3
Highway Ten and Eglinton	9323	Amanda Mucek	HCNB INC.	(905) 507-9502	7-5035 Hurontario Street Mississauga, ON L4Z 3X7
Rutherford Marketplace	9324	Tanya Kazdan	2766234 ONTARIO LTD.	(905) 417-7444	9342 Bathurst Street, Vaughan, ON, L6A 4N9
Headon Forest	9325	Jeff Moseley-Williams	2766234 ONTARIO LTD.	(905) 336-9098	B18-3450 Dundas Street Burlington, ON L7M 4B8
Danforth	9326	Fiona Boylan	Knead Dough Too Inc.	(647) 776-3370	156 Danforth Avenue Toronto, ON M4K 1N1
RioCan Centre Kingston	9327	Ashley Logan	2493180 Ontario Inc.	(613) 389-0608	A003B-770 Gardiners Road Kingston, ON K7M 0A2
The Boardwalk	9328	Steff Steers	Delightfully Smart Incorporated	(519) 584-2627	245-6 The Boardwalk, Waterloo, ON N2T 0A6
Barrhaven	9329	Emily Mirsky	E&C Baking Inc.	(613) 440-2573	301B-3161 Strandherd Crossing, Nepean, Ontario, K2J 5N1
Waterdown	9330	Clare Smith	Bainham Incorporated	(905) 689-2627	94 Dundas Street East, Flamborough, ON, L0R 2H5
Ridley Square	9331	Marko Bukovec	BREAD M.A.N. INC.	(289) 362-1115	111 Fourth Avenue, St. Catharines, ON, L2S 3P5
Clair Marketplace	9332	Terrell Thurston	TNT Enterprises Inc.	(519)-821-5200	20 Clair Road West, Guelph, ON, N1L0A8
Applewood Plaza	9333	Anthony Iantorno	TMI Bakery Corp.	(905) 232-0511	5-1077 North Service Road, Mississauga, ON, L4Y 1A6
Fairway Plaza	9335	Steff Steers	DELIGHTFULLY SMART INCORPORATED	(519) 505-4699	B2-10 Manitou Drive, Kitchener, ON, N2C 2N3
Willmott Marketplace	9335	Adil Hanif	2640753 ONTARIO INC.	(905) 876-0878	608 Santa Maria Blvd., Milton, ON, L9T 9L7
The Queensway	9336	Mark Zangrilli	M.A.Z. Bakery Ltd.	(416) 792-7042	125 The Queensway, Toronto, Ontario, Canada, M8Y 1H6
Maple Mews	9337	Rawya Balinova	2675918 ONTARIO INC.	(905) 639-2727	1235 Fairview St, Burlington, L7S 2H9, ON
London North West	9338	Sara Lisk	2717679 ONTARIO INC.	(519) 641-7770	1320 Fanshawe Park Road West, London, ON N6G 5B1
Trinity Wilson Common	9339	Donnel Asper	Maka Corp.	(905) 648 2579	1187 Wilson St W, Ancaster, L9G 0E8, ON
Folkstone	9340	Sheri Manning	2681137 ONTARIO INC.	(905) 425-7788	30 Broadleaf Ave, Whitby, L1R 3N8, ON
Orleans	9341	Michel Chartrand	2828130 ONTARIO LIMITED	(613) 830-6815	Unit 4 - 3890 Innes Road, Orleans, ON, K1W 1K9
Georgetown	9342	Mike Livingstone	2765822 ONTARIO INC	(289) 891-9109	280 Guelph Street, Georgetown, ON, L7G 4B1
Heartland Centre	9343	Silvi Stermasi	2832867 Ontario Inc.	(905) 890-5727	Heartland Center, Unit 7 - 5885 Rodeo Drive,Mississauga,L5R 3S9,ON
Steeple Hill	9344	Chloe Marche-Allen	C&G Holdings 2020 Ltd.	(905) 831-0511	670 Kingston Road, Pickering, ON, L1V 1A6
Morningside Crossing	9345	Kate Uchendu	WEST HILL BAKERS HUT INC.	(416) 282-1888	4525 Kingston Road,Toronto,M1E 2P1,ON

West Hills Centre	9346	Terrell Thurston	TNT II ENTERPRISES INC.	(519) 822-9595	Unit 8 - 1005 Paisley Road, Guelph ON, N1K 1X6
Westboro	9347	Ayman El Kerdany	1000109816 ONTARIO INC.	(613) 729-9001	Unit 2-416 Richmond Road,Ottawa,K2A 0G2,ON
Big Bay Point	9352	Lisa Mitchell	2831775 ONTARIO INC.	(705) 725-1501	Unit 4-494 Big Bay Point Road,Barrie,L4N 3Z5,ON
Union Square	9354	Sandra Janzen	2842888 ONTARIO INC.	(519) 967-6776	Unit 111-650 Divison Road,Windsor,N8X 0A8,ON
Blackstone	9355	Steff Steers	DELIGHTFULLY SMART INCORPORATED	(519) 954-2255	Unit A105 - 255 Northfield Drive East,Waterloo,N2K 0G5,ON
Century Centre Plaza	9357	Shawn O'Neil	2840832 ONTARIO INC.	(250) 707-4647	180 Shirreff Avenue,North Bay,P1B 7K9,ON
Liberty Village	9360	Jeff McEwan	GEORGIAN STORM LIMITED	(416) 539-0000	171 East Liberty Street,Toronto,M6K 3P6,ON
St. Vital Square	9401	Randi Pilon	RNR Ventures Ltd.	(204) 253-5186	827 Dakota Street, Winnipeg. MB, R2M 5M2
Tuxedo Park	9402	Randi Pilon	RNR Ventures Ltd.	(204) 489-2622	132-2025 Croydon Avenue, Winnipeg, MB, R3P 2G9
Bedford Place Mall	9501	Rebecca Cripps	Cripps Family Investments Ltd.	(902) 832-9321	1658 Bedford Hwy, Halifax, Nova Scotia, B4A 2X9
Tacoma Plaza	9502	Rebecca Cripps	Cripps Family Investments Ltd.	(902) 832-9321	50 Tacoma Drive,Dartmouth,Nova Scotia, B2W 3E6
USA Franchisees as at June 30th, 2022					
Bakery	**#**	**Franchisee**	**Company Name**	**Tel. Number**	**Bakery Address**
High Ridge	7101	Robert Hyden	CB Stamford, LLC	(203) 724 9299	1057 High Ridge Road, High Ridge Center, Stanford CT 06905
Riverside Lane	7102	Robert Hyden	CB GREENWICH, LLC	(203) 990-0560	5 Riverside Lane, Greenwich CT 06878
Canadian Franchisees who have left the Franchise System as at June 30th, 2022					
The following are the names, last known addresses and telephone numbers of every former franchisee in the total operating territory of the franchisor who operated a franchise of the type being offered hereby, whose franchise has been terminated, cancelled, not renewed, expired, re-acquired by the franchisor or whose franchise has otherwise left the franchise system, within the previous fiscal year and up to the date of this disclosure document:					
Bakery	**#**	**Franchisee**	**Company Name**	**Tel. Number**	**Bakery Address**
Cory Common	9205	Michael Jackson	102009541 Saskatchewan Ltd	(306) 242 2262	60-3270 Preston Avenue, Saskatoon, SK S7T 0Y5
Chestermere Station	9141	Colin Nyberg	2036123 ALBERTA LTD.	(403) 775-9273	102-100 Marina Drive, Chestermere, Alberta, T1X 0R9
Oak Bay	9018	Dina Buccione	DICENTI BREAD CORP	(250) 592-8687	2178 Oak Bay Avenue Victoria, BC V8R 1E9
Panorama Village	9066	Roana Paulin-Francisco	R & G PAULIN BAKERY INC.	(604) 296-3500	102-5717 152nd Street, Surrey, BC, V3S 9A5
South Point Annex	9004	Kiran Behl	BEHL INVESTMENTS INC.	(604) 538-3844	104-2990 152nd Street Surrey, BC V4P 1G6
Marine Way Market	9038	Helen Barabash	Ukrainian Bakery Corporation	(604) 433-5771	160-7515 Market Crossing Burnaby, BC V5J 0A3
The Annex	9306	Fiona Boylan	Knead More Dough Inc.	(416) 924-9555	370 Bloor Street West Toronto, ON M5S 1X2

EXHIBIT R

FINANCIAL STATEMENTS

See attached.

IF INTERIM FINANCIAL STATEMENTS ARE ATTACHED IN ADDITION TO THE ANNUAL FINANCIAL STATEMENTS, PLEASE NOTE THAT THESE INTERIM FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE INTERIM FINANCIAL STATEMENTS OR EXPRESSED HIS/HER OPINION WITH REGARD TO THEIR CONTENT OR FORM. INTERIM FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

COBS USA Inc

P&L Summary by Region

September 2022

7US: COBS USA

Description	MTD Actuals	MTD Budget	Var () = Unfav	MTD Last Year	Var () = Unfav	YTD Actual	YTD Budget	Var () = Unfav	YTD Last Year	Var () = Unfav	Annual Budget
FRANCHISE DIVISION											
Franchise Royalty Fees	11,368	5,677	5,691	9,859	1,509	31,228	16,497	14,731	26,109	5,119	76,155
Franchise Royalty Relief	-	-	-	(9,872)	9,872	-	-	-	(22,899)	22,899	-
Franchise Income	11,368	5,677	5,691	(13)	11,381	31,228	16,497	14,731	3,210	28,018	76,155
Bready Income	(920)	(920)	-	(663)	257	(2,760)	(2,760)	-	(1,823)	937	(11,040)
Recruitment Franchisees	256	11,431	11,175	6,838	6,582	529	34,293	33,764	19,080	18,551	137,172
Uniforms	-	-	-	-	-	-	300	300	-	-	600
Repairs & Maintenance	57	62	5	60	3	175	186	11	181	6	744
Entertainment	87	120	33	220	133	841	1,020	179	220	(621)	4,620
Travel & Accomm	1,877	1,580	(297)	2,602	725	6,297	8,680	2,383	2,602	(3,695)	37,760
Audit & Accounting Fees	200	441	241	5,250	5,050	701	2,354	1,652	5,685	4,984	20,300
Consultant - Other	937	-	(937)	-	(937)	2,810	5,000	2,190	-	(2,810)	20,000
Legal Fees	7,631	2,500	(5,131)	1,400	(6,231)	7,631	7,500	(131)	1,400	(6,231)	30,000
Communications - WAN Network	35	48	13	-	(35)	110	144	34	-	(110)	576
Communications - Mobile	70	70	-	-	(70)	210	210	-	-	(210)	840
Bank Fees	133	150	17	130	(4)	401	450	49	397	(5)	1,925
Software Maintenance	181	300	119	195	13	604	900	296	1,110	506	3,600
Market Research	-	-	-	4,167	4,167	-	-	-	12,500	12,500	-
Operating Overheads	10,544	15,782	5,238	20,197	9,653	17,549	58,277	40,728	41,351	23,802	247,097
Office Salaries - Gross	13,295	17,939	4,644	1,158	(12,137)	42,252	53,796	11,544	3,393	(38,860)	224,664
Annual Leave Liability M'ment	381	-	(381)	-	(381)	1,142	-	(1,142)	-	(1,142)	-
Office Salaries - Bonus	2,500	-	(2,500)	-	(2,500)	2,500	-	(2,500)	-	(2,500)	-
Recognition & Rewards	-	-	-	-	-	-	-	-	-	-	25
Staff Training Courses	-	-	-	-	-	201	-	(201)	-	(201)	-
Payroll Tax	854	785	(69)	-	(854)	2,355	3,452	1,097	195	(2,160)	17,365
Health & Medical Benefits	969	1,350	381	-	(969)	2,966	4,050	1,084	-	(2,966)	16,200
Workcare	55	208	153	-	(55)	163	623	461	-	(163)	3,677
M/V Employee Owned	-	50	50	-	-	-	150	150	-	-	600
Personnel Overheads	18,054	20,332	2,278	1,158	(16,896)	51,580	62,072	10,492	3,587	(47,993)	262,532
Total Overheads	28,598	36,114	7,516	21,355	(7,243)	69,128	120,349	51,220	44,938	(24,190)	509,629
Bakery Expenses - Not Co Owned	-	-	-	-	-	-	-	-	1,260	1,260	-
Bakery Support Costs	-	-	-	-	-	-	-	-	1,260	1,260	-
Total Franchise Contribution	(17,230)	(30,437)	13,207	(21,368)	4,137	(37,901)	(103,852)	65,951	(42,988)	5,088	(433,474)
COBS Leased											
Profit / (loss) on sale of store	-	-	-	-	-	-	-	-	-	-	-
Business Lease Income	-	-	-	-	-	-	-	-	-	-	-
Bakery Operating Costs	-	-	-	-	-	-	-	-	-	-	-
IFRS & Impairment	-	-	-	-	-	-	-	-	-	-	-
Bakery Opening Costs	-	-	-	-	-	-	-	-	-	-	-
Bakery Closure Costs	-	-	-	-	-	-	-	-	-	-	-
Total Contribution COBS Leased	-	-	-	-	-	-	-	-	-	-	-
COBS Managed											
Sales	-	81,605	(81,605)	-	-	-	231,543	(231,543)	-	-	1,014,011
Cost of Sales	-	18,769	18,769	-	-	-	53,255	53,255	-	-	233,223
Wages	-	29,591	29,591	-	-	-	83,960	83,960	-	-	367,691
Operating OH - Controllable	-	9,685	9,685	-	-	-	29,555	29,555	-	-	117,220
Operating OH - Other	-	11,033	11,033	-	-	-	32,701	32,701	-	-	133,440
OP COBS	-	12,527	(12,527)	-	-	-	32,072	(32,072)	-	-	162,438
Non-Bakery Personnel OH	-	2,628	2,628	-	-	-	7,488	7,488	-	-	32,567
Profit / (loss) on sale of Stores	-	-	-	-	-	-	-	-	-	-	-
IFRS	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin OH	-	50	50	-	-	-	150	150	-	-	600
Non-Bakery OH	-	-	-	-	-	-	-	-	-	-	-
Bakery Opening Costs	-	-	-	-	-	-	-	-	-	-	-
Bakery Closure Costs	-	-	-	-	-	-	-	-	-	-	-
Non-Bakery Other Costs	-	-	-	-	-	-	-	-	-	-	-
Total COBS Non-op Costs	-	2,678	2,678	-	-	-	7,638	7,638	-	-	33,167
Total COBS Managed	-	9,849	(9,849)	-	-	-	24,433	(24,433)	-	-	129,271
Total COBS Contribution	-	9,849	(9,849)	-	-	-	24,433	(24,433)	-	-	129,271
EBITDA	(17,230)	(20,588)	3,358	(21,368)	4,137	(37,901)	(79,418)	41,518	(42,988)	5,088	(304,203)
Depreciation - Offices	72	-	(72)	33	(38)	215	-	(215)	100	(115)	-
Depreciation - Head Office	**72**	**-**	**(72)**	**33**	**(38)**	**215**	**-**	**(215)**	**100**	**(115)**	**-**
Depreciation COBS Leased	-	-	-	-	-	-	-	-	-	-	-
Depreciation COBS Managed	-	5,000	5,000	-	-	-	15,000	15,000	-	-	60,000
Depreciation - COBS	**-**	**5,000**	**5,000**	**-**	**-**	**-**	**15,000**	**15,000**	**-**	**-**	**60,000**
Total Depreciation	**72**	**5,000**	**4,928**	**33**	**(38)**	**215**	**15,000**	**14,785**	**100**	**(115)**	**60,000**
Interest Income	1,401	-	1,401	1,336	65	4,279	-	4,279	4,081	198	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-
Net Interest	1,401	-	1,401	1,336	65	4,279	-	4,279	4,081	198	-
Operating Profit before Tax	(15,901)	(25,588)	9,687	(20,065)	4,164	(33,837)	(94,418)	60,581	(39,008)	5,171	(364,203)
COBS Impairment	-	-	-	-	-	-	-	-	-	-	-
NPBTA	(15,901)	(25,588)	9,687	(20,065)	4,164	(33,837)	(94,418)	60,581	(39,008)	5,171	(364,203)
Prior Period Revenue Recognition	(209)	(209)	-	(209)	-	(627)	(627)	-	(627)	-	(2,509)
Transfer Pricing Charges	830	223	(607)	209	(622)	2,609	669	(1,940)	3,858	1,249	2,676
Loss/(Gain) on Foreign Exchange	(66,133)	-	66,133	(10,876)	55,257	(72,115)	-	72,115	(38,453)	33,662	-
Other Adjustments	(65,511)	14	65,525	(10,876)	54,635	(70,134)	42	70,175	(35,222)	34,911	167
IFRS16 Adjustments	-	-	-	-	-	-	-	-	-	-	-
Net Profit Before Tax	**49,610**	**(25,602)**	**75,212**	**(9,189)**	**58,799**	**36,296**	**(94,460)**	**130,756**	**(3,786)**	**40,083**	**(364,370)**
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
Net Profit After Tax	**49,610**	**(25,602)**	**75,212**	**(9,189)**	**58,799**	**36,296**	**(94,460)**	**130,756**	**(3,786)**	**40,083**	**(364,370)**

<u>**COBS USA INC.**</u>

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2022, 2021, AND 2020

BRANTLEY JANSON
Certified Public Accountants
A Professional Service Corporation
909 S. 336th St, Suite 201
Federal Way, Washington 98003

BRANTLEY
JANSON
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Stockholders
COBS USA Inc.
Bellevue, Washington

Opinion

We have audited the accompanying financial statements of COBS USA Inc. (a Delaware corporation), which comprise the balance sheets as of June 30, 2022, 2021, and 2020, the related statements of operations and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of COBS USA Inc. as of June 30, 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of COBS USA Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

909 S. 336th Street, Suite 201, Federal Way, WA 98003 | Office: 253.838.3484 | Fax: 253.874.6831 BRANTLEYJANSON.COM

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the 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 COBS USA Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about COBS USA 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.

September 29, 2022

COBS USA INC.

BALANCE SHEETS
JUNE 30, 2022, 2021, AND 2020

ASSETS

	2022	2021	2020
CURRENT ASSETS			
Cash	$ 71,869	$ 49,348	$ 106,928
Restricted cash - marketing fees	-	11,056	17,781
Total cash	71,869	60,404	124,709
Receivables - fees	14,499	7,532	3,285
Receivables - other	-	-	527,177
Prepaid expenses	9,987	-	1,021
Current portion lease receivables	143,185	136,208	77,151
Total current assets	239,540	204,144	733,343
PROPERTY AND EQUIPMENT, net	14,182	39,718	63,835
OTHER ASSETS			
Right-of-use assets	-	-	693,185
Lease receivables, net of current portion	709,608	852,925	332,705
Note receivable	355,945	339,465	-
Deposits	88,461	100,970	88,438
Total other assets	1,154,014	1,293,360	1,114,328
TOTAL ASSETS	$ 1,407,736	$ 1,537,222	$ 1,911,506

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

	2022	2021	2020
CURRENT LIABILITIES			
Accounts payable	$ 32,821	$ 28,601	$ 137,720
Contract liabilities	2,500	2,500	2,500
Current portion lease liabilities	143,185	136,208	118,244
Total current liabilities	178,506	167,309	258,464
NONCURRENT LIABILITIES			
Lease liabilities	709,608	852,925	984,797
Due to related party	1,096,431	981,146	1,013,013
Unearned revenue	4,889	7,398	9,907
Total noncurrent liabilities	1,810,928	1,841,469	2,007,717
STOCKHOLDERS' DEFICIENCY			
Common stock - $0.001 par value; 3,000 shares authorized, 1,000 shares issued and oustanding	1	1	1
Accumulated deficit	(581,699)	(471,557)	(354,676)
Total stockholders' deficiency	(581,698)	(471,556)	(354,675)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 1,407,736	$ 1,537,222	$ 1,911,506

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

COBS USA INC.

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	2022	2021	2020
REVENUES			
Royalty and service fees, net	$ 82,769	$ 86,731	$ 70,228
Marketing fees	61,497	57,009	29,811
Amortization of franchise fees	2,509	2,509	2,500
Miscellaneous income	36,666	30,394	8,745
	183,441	176,643	111,284
OPERATING EXPENSES			
Advertising	43,957	32,376	15,970
Salaries	80,691	8,647	8,169
Franchise expenses	116,026	85,129	2,261
Other	43,595	12,256	16,248
Professional fees	51,903	11,398	30,556
Depreciation	33,969	30,974	15,732
	370,141	180,780	88,936
INCOME (LOSS) FROM OPERATIONS	(186,700)	(4,137)	22,348
OTHER INCOME (EXPENSE)			
Interest income	-	-	30
Interest expense	(8,507)	(32,605)	(21,590)
Gain (loss) on foreign exchange	85,065	(80,139)	(3,628)
	76,558	(112,744)	(25,188)
LOSS BEFORE FEDERAL INCOME TAX	(110,142)	(116,881)	(2,840)
FEDERAL INCOME TAX	-	-	-
NET LOSS	(110,142)	(116,881)	(2,840)
ACCUMULATED DEFICIT, beginning	(471,557)	(354,676)	(351,836)
ACCUMULATED DEFICIT, ending	$ (581,699)	$ (471,557)	$ (354,676)

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

COBS USA INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	2022	2021	2020
OPERATING ACTIVITIES			
Net loss	$ (110,142)	$ (116,881)	$ (2,840)
Adjustments to reconcile net loss to net cash provided by operations:			
Depreciation and amortization	33,969	30,974	15,732
Changes in assets and liabilities:			
Receivables - fees	(6,967)	(4,247)	(890)
Prepaid expenses and other assets	(9,987)	1,021	5,486
Deposits	12,509	(12,532)	-
Accounts payable	4,220	(109,119)	102,872
Unearned revenue	(2,509)	(2,509)	(2,509)
Net cash provided (used) by operating activities	(78,907)	(213,293)	117,851
INVESTING ACTIVITIES			
Receivables - other	-	180,721	(494,813)
Receipts on leases receivable	136,340	113,908	-
Repayments on note receivable	(16,480)	6,991	-
Acquisition of property and equipment	(8,433)	(6,857)	(35,616)
Decrease in short term investments	-	-	2,000
Net cash provided (used) by investing activities	111,427	294,763	(528,429)
FINANCING ACTIVITIES			
Payments on lease liabilities	(136,340)	(113,908)	-
Net change in due to related party	30,220	48,272	487,003
Foreign exchange gain (loss)	85,065	(80,139)	(3,628)
Net cash provided (used) by financing activities	(21,055)	(145,775)	483,375
NET CHANGE IN CASH	11,465	(64,305)	72,797
CASH, beginning of year	60,404	124,709	51,912
CASH, end of year	$ 71,869	$ 60,404	$ 124,709
Cash paid for taxes	$ -	$ -	$ -
Cash paid for interest	$ 8,507	$ 32,605	$ 21,590
Finance lease receivables	$ -	$ -	$ 757,957
Finance lease liabilities	$ -	$ -	$ (757,957)

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

NOTE 1 - NATURE OF ORGANIZATION

COBS USA Inc. (the Company) was incorporated on May 29, 2014 under Section 102 of the General Corporation Law of the State of Delaware. The Company's principal business activity is the operation and franchising of franchise bakeries in the United States. The Company is the American subsidiary of Bakers Delight Holdings Ltd (the Parent Company).

All of the Company's business activities are currently with customers located within the State of Connecticut.

The registered office of the Company is located at 210 – 1100 Melville Street, Vancouver, British Columbia, Canada V6E 4A6.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Currency
The United States dollar is the functional and presentation currency for the Company.

Transactions in foreign currencies are translated at the prevailing foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to U.S. dollars using the period end foreign currency rates. Foreign exchange gains and losses are included in earnings.

Cash
The Federal Deposit Insurance Corporation insures cash balances in the bank up to $250,000. At June 30, 2022, there were no uninsured balances.

Restricted Cash
Restricted cash consists of unspent rollover marketing funds to be used in future periods.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables
Receivables consist of monthly franchise amounts due from the franchisee. Management expects all balances will be collected, so management has determined that no allowance for doubtful accounts is necessary at June 30, 2022, 2021 or 2020.

For the year ended June 30, 2022, there are other receivables for amounts that have been spent to develop a new location. Once complete, the franchisee is expected to repay the development costs of the new location.

Property and Equipment
Property and equipment is stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. All assets currently have a life of five years. Depreciation expense was $33,969, $30,974, and $15,732 for the years ended June 30, 2022, 2021 and 2020.

Revenues
Franchise royalty fees and related advertising levies, which are based on a fixed percentage of gross revenue earned by franchise locations and other fees, are recognized as they are earned and ultimate collection is reasonably assured. Costs related to supporting and administering franchises are expensed as incurred. Royalty fees are reported net of discounts. Provided the business is not in breach of the terms of the franchise agreement and operates the business to the standard that achieves the 5 star status, the below guidelines apply:

Net sales of $12,000 or less; 100% Relief over any rolling 4 week period
Net sales b/w $12,000 and $15,000; 50% Relief over any rolling 4 week period
Net sales over $15,000; No Relief over any rolling 4 week period

One bakery received relief, discounts costs totaled $39,748, $9,208, and zero for the years ended June 30, 2022, 2021 and 2020.

Franchise fees for new franchises are deferred and recognized as revenue, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions relating to the sale have been substantially performed. Substantial performance occurs when the Company has no remaining obligation or intent to refund any cash received or forgive any unpaid receivables, substantially all of the initial services required by the franchise agreement have been performed, and no other material conditions or obligations related to the determination of substantial performance exists. Related franchising costs are expensed as incurred.

Other income includes business lease income and other miscellaneous revenues. Other income amounts are recognized as services are rendered.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising
The Company expenses its advertising costs as incurred. The advertising is spent to market franchisee locations from funds derived from the marketing fees. Advertising costs totaled $43,957, $32,376, and $15,970 for the years ended June 30, 2022, 2021 and 2020. The Company has zero, $11,056, and $17,781 of unspent marketing funds at June 30, 2022, 2021 and 2020 included in restricted cash.

Income Tax
Income tax is provided for the tax effects of transactions reported in the financial statements and consists of tax currently due plus deferred tax. Deferred taxes result primarily from tax net operating loss carryforwards. Any deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. A valuation allowance may be established if it is necessary to reduce deferred tax assets to the amount expected to be realized in the future. Typically, the U.S. federal tax returns are open to examination for a period of three years after the filing date.

Reclassifications
Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year's format. Total equity and net income are unchanged due to these reclassifications.

Management Review
Management has evaluated subsequent events through September 29, 2022, the date the financial statements were available to be issued.

NOTE 3 - FRANCHISES

Below is a summary of the franchise activity as of June 30:

	2022	2021	2020
Number of operating franchises	2	2	1
Number of franchisor owned outlets	-	-	-
Number of franchises sold	-	-	-

NOTE 4 - NOTE RECEIVABLE

During 2021, the Company entered into a note with the 2^{nd} franchisee location for $346,456. The note bears a 4.75% interest rate, 115 month amortization period, 10% default interest rate, and is guaranteed by the franchisee owners. As of June 30, 2022, $355,945 was outstanding on the note receivable.

Future repayments for the years succeeding June 30, 2022, are as follows:

2023	$ 97,658
2024	45,073
2025	45,073
2026	45,073
2027	45,073
Thereafter	77,995
	$ 355,945

NOTE 5 - DUE TO RELATED PARTY

The loan is payable to the Parent Company and is denominated in Australian dollars (AUD). At June 30, 2022, 2021 and 2020, the liability due to the Parent Company was AUD $1,462,854 AUD $1,309,062 and AUD $1,386,788. After translation to US dollars, the balances were $1,096,431, $981,146 and $1,013,013. The loan payable is unsecured, bears interest at 2.95% at June 30, 2022, and has no fixed terms of repayment. The Parent Company has agreed to not demand repayment for the next year and thus the amount is considered long-term.

NOTE 6 - INCOME TAXES

The Company had the following deferred tax assets (liabilities) as of June 30:

	2022	2021	2020
Accumulated depreciation	$ -	$ -	$ (11,600)
Net operating loss	90,300	49,400	53,700
Valuation allowance	(90,300)	(49,400)	(42,100)
Deferred taxes, net	$ -	$ -	$ -

Based on the large net operating loss carryforward and the history of taxable losses, the deferred tax asset related to the net operating loss has been fully reserved for all years presented in this financial statement.

NOTE 7 - CONCENTRATIONS

Credit Risk

Credit risk is the risk that a change in the operations of a customer could have a significant impact on the revenues of the Company. Through June 30, 2022, all receivables and revenues are related to a single franchisee.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the exchange rate with a foreign currency. The Company is not exposed to foreign exchange risk on sales and purchases. The Company is exposed to foreign exchange risk on borrowings that are denominated in Australian Dollars.

NOTE 8 - LEASES

The Company accounts for leases in accordance with ASC Topic 842, Leases. The Company generally leases the space used by the franchisees from the landlord. The full cost of the lease is passed on to the franchisee through a sub-lease. Because the entire amount is paid by the franchisee, the Company does not reflect income or expense related to the leases on the financial statements of the Company. The Company does have lease deposits totaling $88,461, $100,970, and 88,000 for the years ended June 30, 2022, 2021 and 2020.

NOTE 9 - UNCERTAINTIES

In mid-March 2020, COVID-19 was officially declared a global pandemic by the World Health Organization and a national emergency was declared by the United States. States and municipalities subsequently began to issue shelter-in-place orders and similar mandates requiring those not engaged in essential activities to remain home. The COVID-19 outbreak in the United States is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain.

EFFECTIVE DATES

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

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

RECEIPT

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

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

[New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The franchise sellers for this offering are □ John Gilson, □ Mackenzie Allsop, and □ Other: _____________ of COBS USA Inc., located at, Suite 210, 1100 Melville Street, Vancouver, British Columbia, Canada V6E 4A6 who's telephone number is (604) 296-3500.

Issuance date: October 12, 2022.

I received a disclosure document dated October 12, 2022 that included the following Exhibits:

A	List of State Agencies	□	K	Training Agreement – prospective Franchisee or Franchisee	□
B	State Addenda to the Disclosure Document	□	L	Franchise Payment Policy (including Direct Debit Request and Authority)	□
C	Franchise Agreement	□	M	Table of Contents of the Operations Manual	□
D	State Amendments to the Franchise Agreement	□	N	Confidentiality Agreement	□
E	Sublease	□	O	Trainee and Trainer Obligations Booklet	□
F	Sublease and Business Lease	□	P	Franchisee Company Structure Policy	□
G	Agreement for Sale of Business	□	Q	List of Current Franchisees and Franchisees Who Have Left the System	□
H	Agreement of Commitment	□	R	Financial Statements	□
I	Loan Agreement	□			
J	General Security Agreement	□			

___________________ Date

______________________ Market Rep.

___________________ Prospective Franchisee

RECEIPT (YOUR COPY)

RECEIPT

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J	General Security Agreement	□			

___________________ ______________________ ___________________

Date Market Rep. Prospective Franchisee