

FEB 04 2014

## FRANCHISE DISCLOSURE DOCUMENT



Great Harvest Franchising, Inc  
A Montana Corporation  
28 South Montana Street  
Dillon, MT 59725  
(406) 683-6842 or (800) 442-0424  
sallym@greatharvest.com  
www.greatharvest.com  
www.facebook.com/GreatHarvestBread  
Co

The franchise is whole-wheat neighborhood bread companies

The total investment necessary to begin operation of a Great Harvest Bread Company franchise is \$121,544 to \$622,938. This includes \$38,000 for a first-time location and \$8,000 for an additional location that must be paid to the franchisor or affiliate. (You must pay us an additional \$3,000 for area development rights.)

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

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 Pam Neumeyer, Heidi Melendez, Kathy Peterson, or Sally Munday at our corporate office at 28 South Montana Street, Dillon, Montana 59725, [pamn@greatharvest.com](mailto:pamn@greatharvest.com), [heidim@greatharvest.com](mailto:heidim@greatharvest.com), [kathyp@greatharvest.com](mailto:kathyp@greatharvest.com), or [sallym@greatharvest.com](mailto:sallym@greatharvest.com), (800) 442-0424.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D C 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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 of this Franchise Disclosure Document January 31, 2014

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in Exhibit B for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise.

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN MONTANA (IF MEDIATION AND ARBITRATION IN YOUR CITY DO NOT RESOLVE THE DISPUTE). OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN MONTANA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT MONTANA LAW GENERALLY GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date. See the next page for state effective dates.

## **GREAT HARVEST FRANCHISING, INC.**

### **STATE EFFECTIVE DATES**

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

This Franchise 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	Pending
Hawaii	February 10, 2014
Illinois	January 31, 2014
Indiana	January 31, 2014
Maryland	Pending
Michigan	January 31, 2014
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	January 31, 2014
Virginia	January 31, 2014
Washington	Pending
Wisconsin	January 31, 2014

In all other states, this Franchise Disclosure Document's effective date is the issuance date of January 31, 2014

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

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 subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division  
Attn. Franchise  
670 G Mennen Williams Building  
525 West Ottawa, Lansing, Michigan 48933  
(517) 373-7117

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Exhibits

EXHIBIT A	FRANCHISE AGREEMENT
EXHIBIT B	LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS
EXHIBIT C	FINANCIAL STATEMENTS
EXHIBIT D	LIST OF FRANCHISEES
EXHIBIT E	AMENDMENT FOR RENEWAL OF FRANCHISE AGREEMENT
EXHIBIT F	AMENDMENT FOR AN ADDITIONAL BREAD COMPANY
EXHIBIT G	AMENDMENTS FOR RENEWAL OF A SATELLITE LOCATION
EXHIBIT H	GUARANTY AGREEMENT
EXHIBIT I	TABLES OF CONTENTS FOR CONFIDENTIAL START-UP MATERIALS, TRACKING GUIDE, AND FIRST YEAR GUIDELINES
EXHIBIT J	LIST OF FRANCHISEES WHO LEFT OUR SYSTEM OR HAVE NOT COMMUNICATED WITH US
EXHIBIT K	AREA DEVELOPMENT AGREEMENT
EXHIBIT L	AMENDMENT FOR TRANSFER OF GREAT HARVEST FRANCHISE AGREEMENT
EXHIBIT M	MUTUAL GENERAL RELEASE
EXHIBIT N	TERRITORY AND CONTINUING FEE ACKNOWLEDGEMENT
EXHIBIT O	STATE ADDENDA AND FRANCHISE AGREEMENT RIDERS

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT O

**Item 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

“We,” “us,” and “our” in this disclosure document mean Great Harvest Franchising, Inc., the franchisor. “You” in this disclosure document means the person or legal entity acquiring the franchise. If you are a corporation, partnership, or limited liability company, your owners must sign our Guaranty Agreement (Exhibit H), meaning that all of our Franchise Agreement’s (Exhibit A) provisions also will apply to your owners.

We incorporated in Montana on May 1, 1980. We operate under our corporate name and the trademarks “Great Harvest Bread Co.®” and related logos described in Item 13 (the “Marks”) and no other name. Our principal business address is 28 South Montana Street, Dillon, Montana 59725. If we have an agent in your state for service of process, we disclose that agent in Exhibit B. We have no parent company, affiliates, or predecessors disclosable in this Item.

We franchise retail bread companies that produce and sell whole-wheat baked goods and other products. We have no other significant business activities. Great Harvest bread company sales are primarily retail with limited off-premises activity. The success of Great Harvest bread companies depends upon serving many customers. Our bread companies generally are in high traffic urban and suburban areas. Customers span a wide cross-section of the population, both in age and economic status. You must compete with retail bakeries and large wholesale bakeries that sell their products through grocery and similar stores. The market is very developed in most areas.

Once you are operating a successful Bread Company, you might be eligible to expand your operation by adding another bread company. If you apply for an additional bread company, we will give you our then current franchise disclosure document. If we grant you an additional bread company franchise, you will sign our then current Franchise Agreement. We will consider granting additional bread company franchises according to the policies then current in our system.

We currently own and operate a research and development test lab in Dillon, Montana. Our research and development test lab was open a few days a week until March 1995, when we closed it to the public. However, we still do test-baking there and use it as a training facility. We have operated this facility since June 1988. We operated a bread company/restaurant location in Butte, Montana from December 9, 1999 until September 30, 2003, when we sold it off as a franchise. We have offered franchises since November 1, 1980. We have not franchised other types of businesses.

There are no regulations specific to the industry in which Great Harvest bread companies operate, although you must comply with all local, state, and federal health and sanitation laws that apply to foodservice operations and local and state laws that apply generally to all businesses. You should investigate these laws.

If you qualify, you may reserve new territory for possible future expansion under our Area Development Agreement (Exhibit K). (We describe the process and fees in Items 5 and 12.)



**Item 2**  
**BUSINESS EXPERIENCE**

**Director, President, and Chief Executive Officer. J. Michael Ferretti**

J. Michael Ferretti has been our President and CEO, and a member of our Board of Directors, since June 2001. He also was our Marketing Director from October 2004 to July 2005 and has been our interim Marketing Director since November 2012.

**Director Nido R. Qubein**

Nido R. Qubein has been Chairman of our Board of Directors since June 2001. He has been President of High Point University in High Point, North Carolina since January 2005, a Corporate Director of BB&T, located in Winston-Salem, North Carolina, since April 2005, a Corporate Director of La-Z-Boy Corporation, located in Monroe, Michigan, since June 2006, and a Corporate Director of Dots LLC, located in New York, New York, since April 2011.

**Director Deena Qubein Samuel**

Deena Qubein Samuel has been a member of our Board of Directors since April 2010. She also has been Chief Executive Officer of Creative Services, located in High Point, North Carolina, since May 2005.

**Director of Bakery Support and Services Mark A. Peterson**

Mark A. Peterson has been our Director of Bakery Support and Services since December 1998. He has held numerous other positions since joining us in June 1991, including bakery candidate approval, bakery opening trainer, bakery field visitor, company bakery manager, field representative, and supervisor of field representatives.

**New Media Strategist and External Community Manager. Debra J. Harrison Huber**

Debra J. Harrison Huber has been our New Media Strategist and External Community Manager since September 2011. She has managed several different Great Harvest departments since 1993, including Development, Field Operations, and Franchise Services. She began working as a franchise generalist in our Development Department in June 1991.

**Director of Bakery Logistics and Training. Janet R. Tatarka**

Janet R. Tatarka has been our Director of Bakery Logistics and Training since July 2000. She began working for us as a generalist in November 1991. Since that time, she has held various positions, such as wheat manager, meeting planner, customer service trainer, and project coordinator.

Director of Development Heidi Melendez

Heidi Melendez joined us in August 2011 as Director of Sales and Franchise Development (currently just Director of Development) She worked as Senior Collateral Sales Manager for BowTie, Inc , located in Irvine, California, from October 2010 to July 2011 and held numerous positions for JobTRAK Corporation (acquired by TMP/Monster Worldwide in November 2000) and Monster Worldwide (MonsterTRAK Division), located in Los Angeles, California, from March 1994 to February 2010, including Human Resources Manager, Communications Manager, Director of Customer Service and Operations, Senior Director of Customer Service and Telesales, National Sales Director, and National Client Relations Director, Emerging Workforce

Chief Accounting Officer Kay E Roach

Kay Roach joined us in July 2012 as Chief Accounting Officer She worked in public accounting for Nelson Accounting Professional, PLLC, located in Kingston, Washington, from November 2008 to August 2012

**Item 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item

**Item 4**  
**BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item

**Item 5**  
**INITIAL FEES**

Our initial franchise fee for your first bread company is \$38,000 You must pay us \$24,000 when you sign the Franchise Agreement and \$14,000 three weeks before your Bread Company's planned opening date We offer a 15% discount off this \$38,000 initial franchise fee for honorably-discharged veterans of the United States Armed Forces who control at least 50% of the bread company. (If you qualify, you must pay us \$20,400 when you sign the Franchise Agreement and \$11,900 three weeks before your Bread Company's planned opening date )

We may terminate the Franchise Agreement at any time and for no reason during the period between its effective date and 30 days after completion of "Bakery Boot Camp" training in Dillon If we do, then after you sign a Mutual General Release (Exhibit M) and return all our confidential information, the computer you received before Dillon training, and all software and accessories, we will refund (without interest) the \$24,000 you paid us when you signed the Franchise Agreement If 2 or more individuals on the Franchise Agreement or Guaranty Agreement attend Bakery Boot Camp but do not attend the same Bakery Boot Camp session, the 30-day termination period begins after completion of Bakery Boot Camp by the main bread company operator on the Franchise Agreement or Guaranty Agreement

You may terminate the Franchise Agreement any time before you open your Bread Company. We will keep \$10,000 of your initial franchise fee. If your Franchise Agreement terminates automatically because your Bread Company does not open within 18 months after the Franchise Agreement's effective date, we also will keep \$10,000 of your initial franchise fee. In both circumstances, we will refund the rest to you (without interest) after you sign a Mutual General Release (Exhibit M) and return all our confidential information. You may keep the computer you received from us after you send it to us to erase our confidential information and promise to keep no copies of the information we erase.

We offer 3 potential rebates of a portion of the initial franchise fee

1 A \$1,000 maximum rebate to match actual pre-opening marketing expenses you incur (and document to our reasonable satisfaction) on approved marketing activities recommended in the First Year Guidelines,

2 A \$1,000 rebate (in total) if you submit your opening start-up costs after opening and 6 monthly income statements (by the 25th day of the following month) for each of the Bread Company's 2nd through 7th months of operations, and

3 A \$1,000 rebate (in total) if you submit a loaf of honey whole wheat bread to us for tasting during each of the Bread Company's 2nd through 7th months of operations (6 loaves total)

We will pay you the applicable rebate(s) within 14 days after you satisfy the condition(s) for receiving the rebate(s). Except as described above, your initial franchise fee is not refundable.

Our initial franchise fee for an additional bread company (for example, your second, third, etc. location) will be \$8,000. You must pay the full amount when applying or before signing the Franchise Agreement. We will rebate \$2,000 to you if you buy and install approved signage at the additional bread company before it opens. (You are not eligible for the rebate if we do not pre-approve the signage or if the signage is not installed before the additional bread company opens.) We will rebate another \$3,000 to you when you comply with both of the following pre-opening requirements: (1) send us your Certificate of Occupancy (or comparable local licensing requirement) at least 10 days before your opening date, and (2) send us a video of your un-opened Bread Company's exterior and interior, showing that it meets our pre-opening requirements (defined in your tracking guide), at least 10 days before your opening date. If you do not want a trainer on-site during your opening, you still must meet these requirements to receive the rebate, but we will reduce the deadline to 4 days before opening because we do not need to coordinate travel schedules. If you do not satisfy either condition by the deadline, you are not eligible for the rebate.

After you sign the Franchise Agreement for this additional bread company, you have 18 months to open it, other than the \$2,000 signage rebate and \$3,000 pre-opening requirement rebate (if applicable), the franchise fee is not refundable. If you do not open the additional bread company within 18 months and the Franchise Agreement terminates automatically, you may not

for 2 years from the effective termination date either expand or challenge other applications within 50 miles from the edge of the defined Search Area. We reserve the right to change the initial franchise fee you must pay for additional bread companies, although it will be less than the \$38,000 initial franchise fee for first locations.

Our current fee to purchase an Area Development Agreement (in order to reserve expansion application rights in an area) is \$3,000. You must pay this amount in full when you submit your application or signed Area Development Agreement. You must follow our then current application and screening process. We reserve the right to change the area development fee before you sign the Area Development Agreement, although it will be less than the initial franchise fee for first locations. Your Area Development Agreement will define specific deadlines for when you must apply for expansion. If you do not meet any of these timetables, you forfeit the fee you paid (it is not refundable). You may extend the Area Development Agreement for one year by paying a \$2,250 extension fee before the Agreement expires. If you sell your Bread Company, the Area Development Agreement is not transferable. When you exercise your application rights and sign a Franchise Agreement for an additional bread company, we will apply your area development fee toward the initial franchise fee due for that location. We will not refund any part of the development fee you paid.

If you want to change your Search Area any time before signing a lease or purchasing a building for your Bread Company location, we may charge you a \$250 Search Area change fee. We provide one on-site location hunting trip and may charge you our direct expenses for any additional hunting trips you request. These payments are not refundable.

The Franchise Agreement grants you 18 months to open your Bread Company, otherwise, the Franchise Agreement terminates automatically. However, if you need extra time, we typically give you 2 years of "free" extensions (although we need not do so). If you want a one-year extension above and beyond this time period for a proposed additional Bread Company (kicking in at the 3½ year mark after the Franchise Agreement's effective date), you must pay us \$2,250. This fee is not refundable.

## **Item 6** **OTHER FEES**

Column 1	Column 2	Column 3	Column 4
Type of fee <sup>1</sup>	Amount	Due Date	Remarks
Continuing Fee	4% - 7% of Bread Company's monthly Gross Sales <sup>2</sup>	Due by 15th day of each calendar month on previous month's Gross Sales <sup>3</sup>	"Gross Sales" means the sales of all products, goods, services, and wares, whether for cash or on a charge, credit, or time basis, in connection with your Bread Company's operation (including coffee and tea sales if you participate in the Peet's

Column 1 Type of fee <sup>1</sup>	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			Coffee Program (described in Item 7 below)) <sup>4</sup> , they do not include sales taxes collected from customers
Transfer	Currently \$1,500 - \$19,000 depending on your situation (for example, how much training transferee needs, percentage ownership being transferred, whether transferee already operates in our system as a manager or franchisee, and whether transferee is a child of the seller), we will rebate from \$1,500 to \$5,000 of transfer fee after you complete Bakery Boot Camp, you buy and install new exterior signage (if applicable), and seller returns all Great Harvest confidential information to us	Due before transferee's training	Due before training, we may increase fee, but it will not exceed 50% of initial franchise fee for first locations
Additional Training or Assistance	\$40 per hour (plus reasonable expenses)	As incurred	We provide initial training as part of your initial franchise fee, however, if you request additional assistance beyond what we typically give franchisees, we may charge you for our services
Sandwich Training Exception	\$3,000	30 days after training completed	We provide sandwich training as part of your initial franchise fee if you open your bread company with sandwiches. If you choose not to open your bread company with sandwiches, we will charge you for additional training trip if you later decide to offer sandwiches

Column 1 Type of fee <sup>1</sup>	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Renewal Extension	\$3,000	Before expiration date of your Franchise Agreement	Please refer to footnote 5
Hold Harmless	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from your Bread Company's operation
Liquidated Damages	Maximum Continuing Fee due under your Franchise Agreement	As incurred	Due during period you violate non-competition provisions
Mediation	Will vary under circumstances	As incurred	We and you will share equally all fees and expenses of mediator and neutral third party mediation organization
Annual Convention	\$500 or less for registration fee	Before you attend	You will pay convention fee and your own expenses to attend our optional yearly convention
Audit Costs	Costs incurred in conducting audit (depends on extent of your non-compliance but should not exceed \$2,500)	As incurred	Due if you understate Gross Sales by more than 2% or do not send us required information
Interest	12% per year	15 days after you receive inspection or audit report	Due on overdue amounts
Taxes	As required by law	As incurred	You must pay us all taxes that we must collect or pay on account of services or goods we provide you or fees we collect from you
Attorneys' Fees and Expenses	Will vary under circumstances (depends on extent of your non-compliance)	As incurred	You must reimburse us if we incur these expenses after terminating your franchise for cause
Franchise Agreement Board Assessment	Not more than \$100 per year	As invoiced	This fee supports work of Franchise Agreement Board and is paid directly to this Board. It may be adjusted over time, after consultation with Franchise Agreement Board, to reflect changes in Consumer Price Index
Mill Dressing	\$400 - \$600	As invoiced	Fee paid to us for mill dressing provided on-site

Column 1	Column 2	Column 3	Column 4
Type of fee <sup>1</sup>	Amount	Due Date	Remarks
			by an independent contractor of ours (mill dressing is maintenance where stones are pulled apart for re-sharpening to give them better teeth to grind wheat berries into flour)
Reimbursement of Gift Card Deficiencies	Amount of deficiency (depends on extent of your non-compliance)	Within 10 days after notice from us	You must reimburse us for any deficiencies in your gift card bank account that we cover for you

### Notes

- 1/ Except as described in this Item and in Item 8 (for product and service purchases), all fees are imposed and collected by and payable to us. Unless noted otherwise, all fees currently are uniformly imposed, and no fee is refundable.
- 2/ For first-time locations, our Continuing Fee is 7% of your Bread Company's monthly Gross Sales. You might be eligible to reduce your Continuing Fee to 6% during the last 5 years of the franchise term if all individuals required to complete Great Harvest University online coursework and attend Bread Week Training, Sandwich School Training, and Bakery Boot Camp have done so and you are fully complying with your obligations to us. If you are not in full compliance, your Continuing Fee will remain at 7%. You might be eligible for another Continuing Fee reduction, to 5% of your total Gross Sales, after the 10-year term of the Agreement expires, effective upon completion of your first renewal process. This reduction depends on whether all individuals required to complete Great Harvest University online coursework and attend Bread Week Training, Sandwich School Training, and Bakery Boot Camp have done so and you are fully complying with your obligations to us. You will not receive the benefit of the lower 5% Continuing Fee until you complete all required steps in the renewal process. We will reflect the Continuing Fee for additional locations, renewals, and transfers in an Amendment to your Franchise Agreement (Exhibits E, F, and L). (Your Continuing Fee in these circumstances depends on when you signed your first Franchise Agreement, what the Continuing Fee was under that Agreement, the type of transaction, for example, a transfer or renewal, and whether you completed our renewal process as required.) The Continuing Fee for an additional bread company location depends on whether that location is inside or outside your Territory. If it is inside your Territory, the Continuing Fee will be the same fee you pay for your existing bread company in that Territory (but not more than 6%), if the location is outside your Territory, the Continuing Fee will be 1% less than our then current standard Continuing Fee for first-time locations.

You might be eligible for one last reduction to 4% once all the following conditions are met (in addition to those listed above)

- Your Bread Company has been owned by the same majority owner who has actively operated the business for not less than 15 years. We may revise this required ownership period after periodically consulting with the Franchise Agreement Board, but it will not exceed 15 years. If your kid(s) have worked in this Bread Company for at least 10 years, they can drop to a 4% Continuing Fee on the same date you would have dropped to 4% had you not transferred this Bread Company to your kid(s).
- You have maintained an annual Gross Sales level of not less than \$350,000 for either 6 of the previous 15 years or 4 of the last 5 years. We may revise this requirement after periodically consulting with the Franchise Agreement Board.
- Both parties agree that the fundamental Great Harvest services, including use of the Great Harvest System, access to group buying and wheat, and access to the learning community, will continue to be available to you. Other services, which we will designate occasionally and normally make available as part of our continuing obligation to you, will be made available to you for a fee.

When an existing bread company is being purchased, if the seller's Franchise Agreement states that the buyer will pay the same Continuing Fee as the seller, then the buyer will sign our then current Franchise Agreement with the seller's Continuing Fee, but the buyer will not inherit the seller's timeline for future Continuing Fee decreases. The clock will reset for the buyer, and, depending on the specific Continuing Fee, the buyer will drop to 6% after 5 years (if the Continuing Fee is 7%), or 5% after 10 years (if the Continuing Fee is 6%) upon completion of the buyer's first renewal, or 4% after 15 years of ownership, subject to the above conditions for Continuing Fee reductions.

- 3/ We must receive your monthly Continuing Fee by the 15th day of the month following the month you are reporting. You must make royalty payments electronically for sake of speed, accuracy, and convenience and cooperate with us to make all necessary banking arrangements for electronic funds transfers. You must report your Gross Sales to us electronically in a format we specify, if for any reason you cannot make an electronic submission, the report must be on a paper form we give you. In either case, the report format may break down the Gross Sales figures by location, wholesale, and other off-site sales. We may add a \$50 late charge for any payments we do not receive by the 25<sup>th</sup> day of the month, and interest will accrue at 1% per month beginning the first day of the following month.
- 4/ We consider any business in which you have an interest that benefits from our goodwill, or from your Bread Company's goodwill and public image, as part of your Bread Company, and subject to the Franchise Agreement, even if you keep separate books or otherwise distinguish the business. We will not consider a business that is adjacent to the Bread Company and benefits from its foot traffic as part of the Bread Company if it does not resemble ownership of the Bread Company.



- 5/ If you advise us that you want to renew your franchise, but you do not complete the renewal process before your Franchise Agreement expires, we will give you a 90-day extension to complete the renewal process if you pay us a non-refundable \$3,000 renewal extension fee before your Franchise Agreement's original expiration date. If you do not pay us this \$3,000 before that date, you do not get a 90-day extension and your Franchise Agreement will expire on its original expiration date. If you complete the renewal process before your Franchise Agreement's original expiration date, you need not pay us any renewal fee.
- 6/ There are no mandatory advertising cooperatives in our system. Franchisees in certain geographic areas occasionally agree to collaborate on advertising in their areas but do so voluntarily. We do not participate in these cooperatives through company-owned bread companies or control their operation. They are strictly voluntary groups, and franchisees in the particular areas govern their operation.

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**Item 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee *See Note 1	\$38,000	Two lump sums	\$24,000 when you sign Franchise Agreement and \$14,000 3 weeks before Bread Company's planned opening date (or when you apply for additional bread company)	Us
Expenses While Training	Range \$1,152 to \$10,800 Average \$5,379	As incurred	As incurred	Airlines, hotels, restaurants and/or other businesses
One Month's Rent *See Note 2	Range \$1,500 to \$6,000 Average \$3,755	Lump sum	As specified in lease or sublease	Landlord
Real Estate and Improvements *See Note 2	Range \$6,240 to \$224,078 Average \$102,528	As incurred	As incurred	Suppliers, Tradesmen
Equipment *See Note 3	Range \$65,000 to \$191,320 Average \$111,592	As purchased	As purchased	Suppliers
Signs	Range \$960 to \$19,715 Average \$7,336	As purchased	As purchased	Suppliers
Prepaid Expenses and Deposits *See Note 4	Range \$400 to \$13,478 Average \$5,260	As incurred	As incurred	City, county, and state governments, Landlord

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Opening Inventory (Ingredients and Supplies)	Range \$7,000 to \$26,824 Average \$18,079	As purchased	As purchased	Suppliers
Grand Opening Advertising Costs	Range \$422 to \$9,863 Average \$4,084	As incurred	As incurred	Suppliers
Organizational Costs/Misc	Range \$350 to \$32,860 Average \$10,185	As incurred	As incurred	Legal advisors, Utilities
*See Note 5				
Additional Funds – 3 months	Range \$530 to \$50,000 Average \$19,391	As incurred	As incurred	Cash reserves, Accounts payable
*See Note 6				
TOTAL ESTIMATED START-UP COSTS	\$121,544 to \$622,938***			
*See Note 7				

\*\*\* The projected initial investment level for a new franchisee (including existing franchisees acquiring additional bread company locations), based on the actual low and high costs for the various line-item expenses in the table above incurred by 24 first-time franchisees who opened their first Great Harvest bread companies between January 2011 and December 2013 (and who reported this information to us out of 25 first-time franchisees), ranges from \$121,544 to \$622,938. However, the actual total investment level of those 24 first-time franchisees for their 24 bread companies ranged from a low of \$211,030 to a high of \$482,776 with an average of \$321,918.

- Except for the initial franchise fee (described in Item 5) and certain pre-paid expenses and deposits, no expenditure in the table above is refundable.
- This table does not include your equipment and other costs if you choose to participate in the Peet's Coffee Program. This program is completely voluntary on your part and is offered by an unaffiliated third party (Peet's) whose products we have approved for sale from a Great Harvest bread company. The program involves selling Peet's coffee (and tea) products as part of your Bread Company's overall operation. We do not require you to sell Peet's coffee. We estimate the equipment, small

wares, and initial inventory cost for the Peet's Coffee Program to range from \$13,000 to \$18,000 (plus tax and shipping) depending on your choice of drip coffee and tea equipment and whether you choose to include iced blended drinks None of this equipment cost is paid to us (but you do pay us a Continuing Fee on your revenue from coffee and tea sales) You also might have additional plumbing and electrical costs

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## Explanatory Notes

- Note 1. We describe the initial franchise fee in Item 5
- Note 2. Most Great Harvest franchisees lease their space. The initial monthly lease cost ranged from \$1,500 to \$6,000 for first-time franchisees who opened between January 2011 and December 2013, depending on the square footage costs in the community. Bread companies average 2,085 square feet. The bread company's premises typically are in strip centers or stand-alone locations in commercial areas or in downtown areas when that area is viable for every day retail. Lease and leasehold improvement costs depend on the condition, location, and size of the premises, the demand for the premises among possible lessees, whether the premises were used for similar operations, the build-out required; and any construction or other allowances the landlord gives you. Your lease costs are an important consideration. You are responsible for this cost for the entire lease term regardless of your Bread Company's performance and, more often than not, will have personal liability for the lease costs even if you have an entity to own and operate your Bread Company.
- Note 3. Costs vary because necessary equipment is based on estimated sales at the location (determined after the Franchise Agreement is signed). The availability of used equipment also is a factor. One item not readily reflected in the range is the cost of having a mill meet certain manufacturing standards that historically have not applied to that piece of equipment. While we are aware of only one Bread Company in our system ever having to satisfy that requirement, it might be required in the future. If you must buy a mill meeting this different manufacturing standard, we estimate the incremental cost to be between \$5,000 and \$20,000 depending on the age and size of the "old" mill to which you are comparing it.
- Note 4. Prepaid expenses and deposits include security deposits, utility deposits, permit costs, insurance premiums, and similar items. Some of these items might be refundable.
- Note 5. Organizational costs include legal and accounting fees, incorporation costs, and other miscellaneous expenses incurred before opening.
- Note 6. This item estimates your initial start-up expenses (other than the items identified separately in the table). These expenses include payroll costs but not any draw or salary for you. These figures are estimates, and you might need additional working capital during the first 3 months you operate your Bread Company and for a longer time period after that. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Bread Company will break even. We cannot guarantee when or if your Bread Company will break even. Your costs will depend on how much you follow our methods and procedures, your management skill, experience, and business acumen, local

economic conditions, the local market for your products and services, the prevailing wage rate, competition; and the sales level reached during the initial period. We relied on information from 24 first-time franchisees who opened their Great Harvest bread companies between January 2011 and December 2013 to compile this Additional Funds estimate (24 of 25 first-time franchisees reported this information.)

Note 7. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

### **Item 8**

## **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You will develop and operate the Bread Company according to our standards, guidelines, and operational procedures, which may address many things, including the Bread Company's signs, equipment, fixtures, supplies, ingredients, materials, and food products, approved suppliers of these items, and products and services we require or authorize the Bread Company to sell. In certain cases, you will have several options from which to choose. (Authorized products may include coffee if you participate in the Peet's Coffee Program described in Item 7.) Except as described below, there currently are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Bread Company that you must buy or lease from us (or our affiliates) or designated or approved suppliers or according to our specifications.

Wheat is critical to bread quality. Specifying and sourcing wheat are critical to our System's success. Therefore, you must buy 100% of your wheat requirements only from an approved wheat supplier. We will give you a list of approved wheat suppliers and define quality standards that your wheat suppliers must meet. We will test-bake the wheat to determine if it meets our quality standards. We also will try to identify and appoint an approved distributor from which you can directly purchase all of your ingredients and supplies, however, we do not guarantee we will have a single distributor appointed at all times. Nevertheless, there always will be suppliers available from which you may purchase the items necessary to operate your Bread Company. We will define quality and business performance standards that approved suppliers and distributors must meet so that we can maintain a steady flow of high quality ingredients and services to all Great Harvest bread companies. We will identify the approved distributor and suppliers for you in various written materials. We are not an approved supplier of any item. No officer of ours owns an interest in any supplier to the System.

If you want to use a new supplier that is not on our approved distributor and supplier list but meets our specifications and requirements, that supplier may apply to become an approved supplier. The procedure begins when we receive a written request for appointment as an approved supplier. We then review the supplier's qualifications and will respond to you in approximately 30 days. We consider numerous factors in our review, including ability to meet our product quality specifications and testing minimums, willingness to protect our confidential

information and trade secrets from unauthorized circulation to others, production and delivery capability sufficient to meet supply commitments year-round, meeting the requirements of a third-party audit for good manufacturing practices, integrity of the applicant's business practices, and sound financial condition. We may visit the supplier's facilities as part of the review process. If an approved supplier deviates from our specifications, we may terminate its status as an approved supplier by notifying you and the supplier in writing.

We must approve your Great Harvest Bread Co.<sup>®</sup> sign(s), and you must use our current logo on any published or broadcast advertising or promotional materials. We suggest, but do not require, that you submit all materials to us before you use them. You may not use any advertising or promotional materials we disapprove. If your materials do not display our Marks accurately or otherwise are unacceptable, you must change them at your expense. Under no circumstances will we require you to purchase new exterior signs to accommodate a change in the logo design. If you propose to transfer your Bread Company, we may require the transferee to buy new signage. At our request, you must prominently display to customers at all times the materials we provide (at our expense) to promote the franchise.

You must maintain, at your own expense, at least \$1 million of insurance against all types of general liability, including product liability. All insurance must be with accredited companies and include us and our shareholders, officers, and directors as additional insureds. You also must have workers' compensation insurance the law requires and property insurance to cover the Bread Company's premises. At our request, you must give us a copy of your insurance policies. If you operate an additional bread company location, the insurance coverage must include that location.

We will offer guidelines and suggestions on the designs, equipment, and supplies for your Bread Company based on what has and has not worked in the past, but you make the final decision on what you buy. The only exception is if you choose to participate in the Peet's Coffee Program, which is completely voluntary. Peet's requires you to use specific equipment if you want to sell coffee and tea under its brand name. We are not involved in specifying or distributing that equipment.

Collectively, other than for wheat, the purchases and leases described above represent less than 5% of your total purchases and leases to establish and then operate your Bread Company.

We offer a national gift card program in which you may choose to participate. Individual Great Harvest bread companies issue the gift cards, which are redeemed at the issuing bread company or another bread company. If you choose to participate, you must have a designated bank account within which settlement of gift card transactions occurs monthly. Your bank account must have sufficient monies to fund all redemptions of gift cards issued by your Bread Company (and associated fees). You must reimburse us for any deficiencies we cover for you. You must follow our rules and procedures for the gift card program if you choose to participate.

We currently do not derive revenue or other material consideration from required purchases or leases. However, we are party to a business partner program with an on-line e-mail

direct mail marketing service, which rebates to us 30% of the monthly revenues it receives from our franchisees. These rebates, which totaled \$14,247 during our 2013 fiscal year, are used to fund any costs we incur on this project. Our costs, which totaled \$1,200 during our 2013 fiscal year, represent costs we incurred to develop custom templates. Any templates we develop are made available to all our franchisees. To the extent rebates we receive under this program exceed our direct costs associated with the program, we will remit the excess to our participating franchisees. There are a few items (elastic loops, multi-timer motors, multi-timers, etc.) that we bought in bulk last year and then passed on to franchisees as ordered at the favorable price we received by buying in bulk. We did not mark up the products and just passed them through at cost, we therefore do not reference the reimbursement as revenue on our financial statements. There periodically are products or services we want to test. In these cases, we subsidize the cost for the specified product or service, and participation is completely voluntary. Suppliers to our System voluntarily contributed a total of \$11,000 to support our franchise convention during our last fiscal year. There currently is no purchasing cooperative. We may negotiate specific percentage mark-ups with suppliers or a distributor on ingredients and supplies used to operate a bread company, as we have done with wheat prices and a current optional "BakeMark" distributor program. Bread companies choosing not to participate in our approved distributor program will not benefit from negotiated prices on ingredients and supplies. Our BakeMark distributor does not pay us any revenue on account of franchisee purchases but does voluntarily contribute money to various charitable causes associated with the Great Harvest brand. We do not provide material benefits to you (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

### **Item 9** **FRANCHISEE'S OBLIGATIONS**

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

Obligation	Section in agreement	Disclosure document item
a Site selection and acquisition/lease	FYP-2, FYP-3, and C-20 of Franchise Agreement and Amendment for Additional Location	7, 11, and 12
b Pre-opening purchases/leases	FYP-2, C-3, C-11, C-12, and C-13 of Franchise Agreement	7, 8, and 11
c Site development and other pre-opening requirements	FYP-4, FYP-7, and FYP-8 of Franchise Agreement, Amendment for Additional Location, and Area Development Agreement	5, 7, 8, 11, and 12
d Initial and ongoing training	FYP-4, FYP-5, FYP-7, and C-2 of Franchise Agreement	6, 7, and 11



Obligation	Section in agreement	Disclosure document item
e. Opening	FYP-8 of Franchise Agreement	11
f. Fees	FYP-3, FYP-6, FYP-11, C-7, C-8, C-9, C-10, C-16, C-17, C-20, C-21, C-23, C-24, C-25, C-26, and C-27 of Franchise Agreement, Amendment for Additional Location, Amendment for Transfer, and Area Development Agreement	5, 6, 7, and 12
g. Compliance with standards and policies/operating manual	FYP-1, FYP-10, C-3, C-9, C-10, C-12, C-13, and C-31 of Franchise Agreement	8 and 11
h. Trademarks and proprietary information	FYP-1, FYP-10, C-4, C-13, C-15, C-16, and C-17 of Franchise Agreement	13 and 14
i. Restrictions on products/services offered	C-3, C-10, C-12, C-16, and C-20 of Franchise Agreement	8, 11, 12, and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	FYP-2, C-5, C-18, C-20, and C-21 of Franchise Agreement, Amendment for Additional Location, and Area Development Agreement	12
l. Ongoing product/service purchases	C-3, C-11, C-12, and C-13 of Franchise Agreement	8, 11, and 13
m. Maintenance, appearance, and remodeling requirements	C-13 of Franchise Agreement	13
n. Insurance	C-11 of Franchise Agreement	7 and 8
o. Advertising	Not Applicable	6 and 11
p. Indemnification	C-27 of Franchise Agreement	6
q. Owner's participation/management/staffing	FYP-7 and FYP-9 of Franchise Agreement, Amendment for Additional Location, and Amendment for Transfer	11 and 15
r. Records and reports	C-7, C-8, and C-9 of Franchise Agreement	6 and 11
s. Inspections and audits	FYP-5, C-2, C-8, C-9, and C-26 of Franchise Agreement	6
t. Transfer	C-23 of Franchise Agreement	6 and 17

Obligation	Section in agreement	Disclosure document item
u. Renewal	C-24 of Franchise Agreement	17
v Post-termination obligations	C-26 of Franchise Agreement	17
w Non-competition covenants	C-16, C-17, and C-26 of Franchise Agreement	17
x Dispute resolution	C-31 and C-33 of Franchise Agreement	17
y Owners/Shareholders Guarantee	Preliminary Definitions and C-23 of Franchise Agreement, Guaranty Agreement	15
z Gift Cards	C-10 of Franchise Agreement	8 and 17

### **Item 10** **FINANCING**

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

### **Item 11** **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

Before you open your Bread Company, we will.

(1) Loan you copies (or give you access to the electronic files) of our Confidential Start-Up Materials, Tracking Guide, and First Year Guidelines (including Pre-Opening Requirements and Operational Recommendations), the tables of contents of which are Exhibit I There are 177 pages total in those materials If you are opening your first location and paying the \$38,000 initial franchise fee, we also will give you a personal computer loaded with selected software to use in operating your Bread Company. (Franchise Agreement - Sections FYP1 and FYP10)

(2) Identify a Search Area within which you may search for your Bread Company's location After you sign a lease, we will define your territory, as described in Item 12 (Franchise Agreement - Sections FYP2 and C5)

(3) Advise you on possible bread company locations, including one on-site visit by a location hunter You also will receive maps and demographic information We will consider a site's general location and neighborhood, traffic patterns, parking, size, and physical characteristics We may charge you our direct expenses for any additional location trips you request (Franchise Agreement - Section FYP3) You have 18 months

to find a location and open your Bread Company The Franchise Agreement terminates automatically after that date (unless we give you an extension)

(4) Train you in the Great Harvest System (Franchise Agreement - Sections FYP4 and FYP7 and Training Amendment) We describe this training later in this Item

(5) Identify the approved distributor and suppliers from which you may buy the wheat and other items you need to operate your Bread Company (Franchise Agreement - Sections C3 and C12)

During your operation of the Bread Company, we will:

(1) Visit your Bread Company for one full day 4 times during your first 2 years of operation (if you are opening your first location and paying the \$38,000 initial franchise fee) (Franchise Agreement - Section FYP5)

(2) Continually advise you in all matters affecting your business Our advice and consultation include telephoning and distributing research and development information through the Extranet and other means. (Franchise Agreement - Section C2)

(3) Identify the approved distributor and suppliers from which you may buy wheat and other supplies You will order from and pay them directly We will give you a list of suppliers from which other items are available, but you need not buy from them (Franchise Agreement - Sections C3 and C12)

(4) Answer all of your questions about the System and be open and honest with you (Franchise Agreement - Section C1)

(5) Let you use our Confidential Start-Up Materials and First Year Guidelines (including Pre-Opening Requirements and Operational Recommendations), which explain the key aspects of our System and what we expect you to do while operating your Bread Company You may not disclose these materials to anyone who is not a "Signed Great Harvest Insider," as described in Item 15 (Franchise Agreement - Sections FYP1, FYP10, "Preliminary Definitions" before First Year Promises, and Section C15)

(6) Provide a location hunt, at our expense, if you decide to move your Bread Company (Franchise Agreement - Section C22)

You generally may use any advertising materials you want if they reproduce our Marks accurately and properly represent the Great Harvest System's culture and image You must prominently display to customers any materials we give you (at our expense) to promote the franchise

We do not advertise Great Harvest bread company products nationwide because we feel the most powerful emphasis should be the local nature of your Bread Company and products There currently are no advertising cooperatives or funds in which you must participate Some

regions work together, independent of us, on television, radio, and print campaigns. Our marketing department provides copywriting and creative support for local and regional outreach. It also offers you a full line of turnkey marketing tools and systems, including: a brand platform, graphic guidelines, public relations "how tos", social media tools, hundreds of ready-to-use and customizable promotional templates (for example, coupons, flyers, brochures, ads, point-of-purchase and product signage, bagstuffers, recipes, menus, and more), a full line of e-mail marketing templates (brand building and product-specific) for every month and season of the year, and a library of photo and clip art images for print and online use. The most popular support comes from the Annual Calendar, available on the Breadboard, which lists recommendations and resources for popular, tested month-to-month and seasonal promotions, like our over-the-top Honey Bunny promotion during Easter, and many holiday season materials and sales strategies. Lastly, you have access to expertise in lobby ambiance, layout, flow, and merchandising to help create an optimal customer experience and promote sales of everyday and add-on products.

Currently, an 8-member advisory board reviews company initiatives, priorities, and strategies and provides important feedback. Members of this board are franchisees elected by franchisees, with the exception of 3 at-large positions selected by the existing board and franchise management to ensure the healthy mix of representation (location, sales, length of ownership, product mix, and various other considerations based on need). Franchisees have the power to form, change, or dissolve this board, and we choose to meet with it.

You currently need not buy or use an electronic cash register (although we recommend it) or a computer system. If you are opening your first location and paying the \$38,000 initial franchise fee, before Bakery Boot Camp we will give you a laptop computer loaded with software for use in your Bread Company. We do not charge you separately for the laptop. It is loaded with the following software: Microsoft Office Professional (Access, Word, Excel, Outlook, PowerPoint, and Publisher); QuickBooks (we will supply the most recent boxed version, if you want QuickBooks online, we will pay up to the cost of the boxed version for the first year's subscription), Great Harvest Pricing Tool (a tool used for pricing), Scheduling Employees (an employee scheduling program), and Great Harvest's logos and fonts. We recommend that you use this computer, or one with comparable software and computing capabilities in all respects, and maintain it at your own expense, although you have no specific updating or upgrading obligations. We have no contractual obligation to provide ongoing upgrades, updates, or subscriptions. We will not have direct independent access to the information and data on your computer. We buy a 3-year maintenance contract with accidental damage coverage and North American-based tech support. Before the contract expires, you can extend the contract for up to 2 more years at different levels. The costs currently are \$250 for 1 year and \$470 for 2 years (subject to change by the vendor).

Franchisees open their bread companies, on average, 12 months after signing the Franchise Agreement. Factors affecting this time are the ability to obtain a lease, financing, and building permits, complying with zoning and local ordinances; and delays in installing equipment, fixtures, and signs. You must open your Bread Company within 18 months after the Franchise Agreement's effective date (unless we give you an extension). (Franchise Agreement - Section FYP8) You may not open without our prior written permission.

Before and for a few days after the Bread Company opens, we will train you how to operate a Great Harvest bread company. If you are opening your first location and paying the \$38,000 initial franchise fee, you will receive at least 200 working hours of hands-on, person-to-person training from established franchisees, experienced Great Harvest bread company employees, and us. This training includes 2½ weeks of training at our office in Dillon, Montana and training at your Bread Company opening. We plan to be flexible in scheduling training to accommodate all schedules involved. There currently are no fixed (*i.e.*, monthly or bi-monthly) training schedules except for Bakery Boot Camp, Bread Week Training, and Sandwich School, which are held bi-monthly. If you do not comply with the Pre-Opening Requirements, you may not receive the full 200-plus working hours. You may ask us for a current copy of the Pre-Opening Requirements before you sign a Franchise Agreement. We will not send the opening training team until you are in compliance.

Everyone who signs the Franchise Agreement or Guaranty Agreement must complete to our satisfaction certain "On-Line Coursework," which is approximately 20 hours of self-study, and the 3-day "Sandwich School" in Dillon, Montana before your Bread Company opens. You may attend training once you sign a letter of intent for your location. Sandwich School training includes hands-on training in our test lab and in-class sessions with Dillon trainers on various topics such as food safety, pricing, equipment usage and safety, and ingredient control. Although we do not charge for this training, you must pay all lodging, food, and travel expenses. Any person whose signature is on the Franchise Agreement or Guaranty Agreement and is not the main operator may replace the above "Sandwich School" training requirement with onsite Customer Service Training at your bread company being taught by the Breadboard trainer during onsite training week, as defined in the training schedule which will be sent to you before opening. This portion of the training is for learning the pace and style of customer service at the counter, employee training, food safety, and general bakery systems. Travel, food, and lodging, along with any costs or inconvenience caused by taking time off, are at your expense and should be anticipated as a cost of start-up.

At least one person who signs the Franchise Agreement or Guaranty Agreement must complete to our satisfaction Great Harvest University, which includes the on-line coursework and Sandwich School mentioned above, Bread Week Training, and Bakery Boot Camp. Bread Week Training is 5 full days of production training in Dillon, Montana. This portion of training is to become proficient in bread-making and sweets-making skills. Travel, food, and lodging are at your expense, as are the costs or inconvenience caused by taking time off, and should be anticipated as a start-up cost. Bakery Boot Camp is 5 full days of in-bakery operations training in Dillon, Montana. This portion of training is to become proficient in all aspects of running a Great Harvest Bread Company, including learning the pace of production, style at the counter, general bakery systems, sandwich production, marketing, and numbers. On-line coursework, Sandwich School, and Bread Week Training are prerequisites for attending Bakery Boot Camp. Everyone who signs the Franchise Agreement or Guaranty Agreement must complete to our satisfaction at least one week of training at your Bread Company at its opening. Your employees also receive this training but do not attend Bread Week Training or Sandwich School and need not complete the on-line coursework. (Franchise Agreement - Sections FYP4 and FYP7)

As of our most recent fiscal year end, we provided the following training, which totals 80 hours of classroom training and 210 hours of on-the-job training

### TRAINING PROGRAM

Column 1	Column 2	Column 3	Column 4
Subject <sup>1</sup>	Hours of Classroom Training	Hours of On-The-Job Training	Location
Bread Making (and other products)	63	160	Dillon, Montana
Customer Service	4	20	Dillon, Montana
Promotion/Marketing	3	10	Dillon, Montana
Employee Issues	3	10	Dillon, Montana
Location Hunting	2		Dillon, Montana
Feedback and Counseling	5	10	Dillon, Montana

1/ All aspects of training are integrated over the program's course You will learn about these subjects throughout training

If you choose not to take advantage of the opportunity to open with sandwiches, we will waive the required 3-day "Sandwich School" described above. In exchange, you may not sell sandwiches in your Bread Company until you complete Sandwich School to our satisfaction in Dillon, Montana and attend on-site training we provide in your Bread Company We do not charge a fee for your attending Sandwich School in Dillon, though you must pay lodging, food, and travel expenses However, because on-site training was available to you as part of the standard opening training but you chose not to participate, you must pay us \$3,000 for our additional trip to your Bread Company within 30 days after we complete our trip

Our staff, experienced franchisees and/or experienced employees of Great Harvest bread companies administer training We make sure that all trainers have hands-on experience in the subjects they will teach There are approximately 20 people from our corporate headquarters involved in various aspects of training These people have anywhere from 1 to over 20 years of experience in our System The hours in the chart above apply to franchisees opening their first location and paying the \$38,000 initial franchise fee Training for additional locations, satellite locations, and transfers depends on the situation If you do not comply with the Pre-Opening Requirements, you may not receive the full 200-plus working hours We will not send the

opening training team until you are in compliance. We use various confidential manuals, start-up materials, videos, and other training aids during the training program.

We do not require your attendance at additional training programs or refresher courses. We hold an annual convention you may attend if you wish. The location changes from year to year. If you attend, you must pay your own expenses and any fee we charge.

## **Item 12** **TERRITORY**

### **Your Location**

You will operate your Bread Company at a specific location. You will submit your selected location(s) for our evaluation and approval. You may not sign a lease for a location we have not approved. When you sign your Franchise Agreement, you will receive a defined Search Area in which to find a location. We will not operate or franchise another Great Harvest bread company in your Search Area until you sign a lease or purchase a building for your Bread Company location. Once you do so, the Search Area restrictions on us expire. We then may develop the area within your former Search Area, although there are limits on how closely we can space another bread company to your Bread Company (described below). If you want to change your Search Area before signing a lease or buying a building, we will evaluate the proposed new Search Area and may re-evaluate your entire application for a franchise in that proposed new Search Area. We have final approval rights. You have 18 months after signing your Franchise Agreement to open your Bread Company (unless we give you an extension).

We grant territorial rights so that Great Harvest bread companies are located a healthy distance from each other. Once you locate acceptable premises for your Bread Company within your Search Area and sign a lease or purchase a building, we will define a "Hard Line Territory" surrounding your location. If you sign the Franchise Agreement to open a new bread company, your Hard Line Territory will preferably be defined as a circular area using your Bread Company's location as the center point. The area will be the smaller of (i) a circle containing an estimated population of 300,000 people or (ii) a circle with a 10-mile radius. The minimum size of the circle radius in areas of relatively dense population will be 2 miles. However, if a preliminary drawing of a circular Hard Line Territory using your Bread Company as the center point overlaps or borders any surrounding search areas, territories, or area development agreements, then we may adjust your Hard Line Territory so that we do not infringe on any of our existing territory commitments. The resulting Territory might not be a circle, and your Bread Company might not be in the center, but your Territory will be drawn so that your Bread Company's location is not in the outer 33% of your Hard Line Territory's area. The outer 33% will be defined by drawing a line that parallels your Hard Line Territory's boundary approximately 67% of the radius from the center of your Territory. It is not the outer 33% of your Hard Line Territory's area. We also may adjust the perimeter of the Hard Line Territory to fit available natural or jurisdictional boundaries. If your Territory boundary is a major river or large body of water, your Bread Company may be located in the outer 33% of your Hard Line Territory's area if the Bread Company is located near the water. The resulting adjusted area will be your Hard Line Territory. We may revise the 33% limitation after periodically consulting with the Franchise Agreement Board. Otherwise, your Hard Line Territory will not change as

long as you own your Bread Company. However, its size and your territorial rights might change substantially if you transfer ownership of the Bread Company

Franchisees who have been in our system for many years might have had their territories determined differently. Your Hard Line Territory is your exclusive territory. We will not develop or allow others to develop another bread company to be located within the Hard Line Territory. Whether or not we will allow you to relocate your Bread Company during the franchise term depends on the circumstances at the time and what is in the Bread Company's and our System's best interests. Factors may include, for example, the proposed market area, its proximity to other bread companies, whether you are complying with your Franchise Agreement, whether you properly de-identify the old location, and how long it will take you to open at the new location. If you propose moving within your current Territory to a location that is not located in the outer 33% of your Hard Line Territory, we will not unreasonably withhold our permission but may require a location hunt at our expense. If you propose moving to another location, you must follow our then current application process. Approval to move is not guaranteed under those circumstances.

If you sign the Franchise Agreement to open a new Bread Company that is not your first Great Harvest bread company, you may choose a Hard Line Territory containing an estimated population of 100,000 people, consistent with our policies regarding expansion.

If you sign the Franchise Agreement to renew or replace your existing Bread Company's Franchise Agreement, you may keep your existing Territory or accept a new Hard Line Territory created by the following process. We will make a preliminary drawing of a circular territory containing an estimated population of 300,000 people or a 10-mile radius, whichever is smaller, using the existing Bread Company's location as the center point. This preliminary drawing will show your territory's maximum potential boundaries. If this preliminary territory drawing overlaps or borders any surrounding search areas, territories, or area development agreements, your territory's boundaries will be moved closer to your Bread Company so that we do not infringe any of our existing territory commitments. This may result in a territory containing fewer than 300,000 people.

If you sign the Franchise Agreement to purchase an existing bread company, you will receive the seller's Hard Line Territory. If the seller does not have a Hard Line Territory (some older agreements have Standard Neighbor Spacing Distances instead of Hard Line territories), we will make a preliminary drawing of a circular territory containing an estimated population of 300,000 people or a 10-mile radius, whichever is smaller, using the existing Bread Company's location as the center point. This preliminary drawing will show your territory's maximum potential boundaries. If this preliminary territory drawing overlaps or borders any surrounding search areas, territories, or area development agreements, your territory's boundaries will be moved closer to your Bread Company so that we do not infringe any of our existing territory commitments. This may result in a territory containing fewer than 300,000 people.



### Expansion

We will not unreasonably withhold our approval for you to establish additional locations if you are considered expansion eligible, as defined in the current expansion policy. Our opinion of your expansion eligibility currently depends on your financial situation, payment history, and other expansion plans, the ages of your existing Bread Companies, and the nature and quality of your existing operations. However, you have no contractual right to additional locations. We may change our additional location policies periodically with the evolution of our business. You must follow our then current policies. If we approve an additional location, we will modify our then current Franchise Agreement with our Amendment for an Additional Bread Company (Exhibit F), which reflects the lower Continuing Fee for that location.

### Area Development Agreement

You may apply for an Area Development Agreement to hold territory for possible future expansion. You must follow our then current application and screening process. We will define an area in which you will have the option to apply for expansion. This area will be the smaller of approximately 100,000 people or a 10-mile radius. You must apply and sign a binding document (Franchise Agreement) within a specific time period.

### Off-Premises Product Sales

You may not knowingly wholesale your baked products to outlets located within another bread company's territory. You must limit your off-premises sales of baked products only to wholesale accounts that sell the products with a Great Harvest label and meet the following category descriptions: farmer's markets, restaurants, co-operatives, specialty foods retailers, and other retailers offering their products in a specialty retail environment. Examples of these acceptable specialty retailers include Whole Foods, Wild Oats, and Fresh Fields. You must not establish wholesale accounts meeting the following category descriptions: conventional grocery stores (such as Krogers, Safeway, Albertsons, and Harris Teeter), convenience stores, discount clubs, and discount outlets (such as Sam's Club and Wal-Mart). We may permit a wholesale account with a conventional grocery store if there are no acceptable specialty retailers in your Territory and you confirm with the grocery store that your product will not be sold through other grocery stores in the chain outside your Territory.

Mail-order and similar sales present a special case. Any mail-order or similar sale greater than 10 loaves per month to a single address is considered the same as wholesale and prohibited inside another franchisee's restricted area. However, it is too much to expect other Great Harvest bread companies to turn down former customers or others who would like to buy their bread on a less-than-10-loaves per month basis; this type of sale, whether accomplished by mail-order, catalog, Internet, or other means, is unrestricted in the Great Harvest System. There are similar restrictions on other franchisees regarding their permitted off-premises product sales within your Territory.

Except as described above, you may use other distribution channels, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales under the Great Harvest Marks

The information above describes the carve-outs from your territorial rights and the business rights under the Great Harvest System that we and other franchisees retain in your Territory to (1) solicit or accept orders from consumers inside your Territory and (2) use or reserve the right to use other distribution channels, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your Territory under the Great Harvest Marks. While we have the right to do so, we have not established and presently do not intend to establish other franchises or company-owned outlets or another distribution channel, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales of products or services within your Territory under different trademarks. Except as described in this Item 12 and elsewhere in this disclosure document, no compensation is due to you for the activities described above

Except as noted above, (1) you have no options, rights of first refusal, or similar rights to acquire additional franchises, (2) continuation of your franchise and territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency, and (3) we may not alter your Territory during the 10-year franchise term without your permission

### **Item 13 TRADEMARKS**

You may use certain Marks in operating your Bread Company. Our principal Marks are

MARK	REGISTRATION NUMBER	DATE ISSUED	AFFIDAVITS OF USE AND (WHERE APPLICABLE) INCONTESTABILITY FILED?
"Great Harvest Bread Co ®"	1,861,078	11/1/94	Yes
"Bread Keep It Simple!®"	1,978,762	6/4/96	Yes
"Great Harvest Bread Co ®" with windmill design	2,170,901	7/7/98	Yes
"Great Harvest Bread Co ®" and Field and Windmill Design in black and white and color	1,920,003	9/19/95	Yes
	2,176,254	7/28/98	Yes
	2,176,229	7/28/98	Yes
"Great Harvest Bread Co ®" (new letter style)	2,170,921	7/7/98	Yes
"Great Harvest Bread Co ®" (for restaurant services)	2,506,449	11/13/01	Yes

MARK	REGISTRATION NUMBER	DATE ISSUED	AFFIDAVITS OF USE AND (WHERE APPLICABLE) INCONTESTABILITY FILED?
“Great Harvest Bread Co <sup>®</sup> ” with Windmill Design (for restaurant services)	2,318,706	2/15/00	Yes
	2,509,676	11/20/01	
“Be loose and have fun. Bake phenomenal bread Run fast to help customers Create strong & exciting bakeries And give generously to others <sup>®</sup> ”	3,061,696	2/28/06	Yes
“Freedom Franchise <sup>®</sup> ”	3,282,875	8/21/07	Yes
“Great Harvest <sup>®</sup> ”	3,632,019	6/2/09	Not Due
“Your Whole Grain Headquarters <sup>®</sup> ”	3,644,937	6/23/09	Not Due

The Marks, which cover bread company operations and products, are registered on the Principal Register of the United States Patent and Trademark Office (USPTO) We have renewed all registrations that have come up for renewal and intend to renew the other registrations when they come up for renewal

You must follow our rules when you use the Marks You may not use any Mark (1) as part of a corporate name, if you incorporate, (2) with modifying words, designs, or symbols, (3) in selling unauthorized products or services, (4) as part of any website, homepage, domain name, or electronic address you maintain on the Internet or any other similar proprietary or common carrier electronic delivery system, unless we agree in writing to allow that use, or (5) in any other manner we have not authorized in writing You must put a link to our website on any website we allow you to maintain for your own Bread Company If you are complying with our current website standards, we will put a link to your Bread Company’s website on our public website

We may approve in writing specific non-bread food products and other products for sale in your Bread Company displaying one or more of the Great Harvest Marks All of these products must meet our highest quality standards, their selection is in our sole discretion. Display of our Marks, including the design of any product labels or packaging, is subject to our review and approval We have the right to disapprove any product that we previously approved and remove it from products that may be sold in your Bread Company

There currently are no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending

infringement, opposition, or cancellation proceedings or material litigation, involving the principal Marks. No agreement limits our right to use or license the Marks.

You must notify us immediately when you learn about a possible infringement of our Marks. We will take the action we think appropriate (which might be no action). We may control exclusively any litigation or other proceeding resulting from any infringement, challenge, or claim concerning our Marks. We need not protect your right to use the principal Marks or protect you from a claim based on your use of the Marks. However, our policy is actively to police and defend our Marks and other intellectual property.

If we change the Marks, you must update all displays of the changed mark in your business immediately as you use up old materials and order new materials. You must pay for the changes. However, we will not require you to purchase new exterior signs to accommodate a change in the logo design. If you propose to transfer your Bread Company, we may require the buyer to purchase new signs. If you want to order a new exterior sign or buy one from an existing franchisee, you must receive our prior written approval.

We do not actually know of either superior prior rights or infringing uses that could materially affect your use of our principal Marks in any state.

#### **Item 14**

#### **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

No patents or patent applications are material to the franchise. We claim copyrights in our Confidential Start-Up Materials and other manuals, printed materials, newsletters, software, video and audio media, and similar items used in operating Great Harvest bread companies. We have not registered these copyrights with the United States Copyright Office but need not do so to protect them. You may use these items only as we specify while operating your Bread Company.

There currently are no effective determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. No agreement limits our right to use or allow you to use the copyrighted materials. We do not actually know of any infringing uses that could materially affect your use of the copyrighted materials in any state. We need not protect or defend copyrights, although we reserve the right to do so if we believe it is in our System's best interests. You must notify us of any copyright infringements of which you are aware. We may control all proceedings involving copyrights. We need not participate in your defense of, or indemnify you for expenses incurred in, a copyright proceeding.

Our Confidential Start-Up Materials, First Year Guidelines, and other materials contain our trade secrets and other confidential information, including all recipes and their measurements, all bread making processes, techniques, skills, temperatures, and timing, all baking forms and systems; all details of our bread making theory or practice, oven systems, ingredient standards, wheat standards; ingredient supplier lists; wheat suppliers, equipment standards; special uses of equipment not commonly known outside our System; equipment supplier lists; all details of our unique breadboard theories and practices, breadboard training rules, all details of our unique bread company management theories and practices, our training

methods, all bread company management forms and systems, build-out specifications, all details of location hunting theory or practice, location search kits; tracking lists, all details of our unique franchising theories and practices; all proprietary aspects of our sandwich and coffee programs, all proprietary newsletters; all audio/visual training tapes, all candidate information, all proprietary internal personnel practices, and any other information or materials concerning the art of bread making. Any of your innovations will be available to all Great Harvest Insiders (described in Item 15) and become our property for the benefit of the System as a whole.

You and your owners may not use our trade secrets or confidential information in an unauthorized manner and must take reasonable steps to prevent their disclosure to unauthorized parties.

We have created on the Internet a website for the exclusive use of our franchisees and other Signed Great Harvest Insiders. Use of this "Extranet" site is available to those signing an agreement concerning the confidential information posted on the site and receiving a password. No one in your organization may access the site unless that person signs the appropriate Confidentiality Agreement.

**Item 15**  
**OBLIGATION TO PARTICIPATE IN THE  
ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

If you are opening your first Bread Company, one person who signs the Franchise Agreement or Guaranty Agreement and completes initial training to our satisfaction must during the Bread Company's first year of operation:

- (a) live no more than a 30-minute commute from your Bread Company, and
- (b) be personally present at your Bread Company at least 25 hours a week, 45 weeks during the year.

After the first year, we recommend (but do not require) your on-premises participation in operating the Bread Company. This requirement does not apply to purchases of existing bread companies. You may not hire anyone who does not sign the form of Confidentiality and Non-Competition Agreement we give you. Otherwise, we do not restrict your hiring decisions. On-premises supervisors need not complete our training (unless they are owners) or have an equity interest in you. You may not disclose our confidential information to anyone who is not a "Signed Great Harvest Insider." Signed Great Harvest Insiders are any Bread Company owner whose signature is on an effective Franchise Agreement or Guaranty Agreement, any of our employees, or any Great Harvest bread company employee who has signed our form of Confidentiality and Non-Competition Agreement.

If you are a legal entity, your owners must personally guarantee your obligations under the Franchise Agreement and agree personally to comply with the Agreement's non-competition and confidentiality obligations. This "Guaranty Agreement" is Exhibit H.

**Item 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You generally have freedom to make decisions about the goods and services you will offer, although Section C12 of the Franchise Agreement states that you cannot sell more than 3 bushels of Great Harvest wheat per month to the same customer. While we recommend the products we think you should carry, you need not follow our recommendations. You must immediately cease selling any non-bread food products displaying our Marks that we disapprove in writing. We never have disapproved products closely related to whole wheat and bread making and approve new preparation methods and ingredients if the finished product's quality either improves or remains the same. There are no limits on our right to change the types of authorized products and services, but, again, you need not follow our recommendations.

**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.**

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a Length of the franchise term	C-19 of Franchise Agreement (also see "Term" in Area Development Agreement)	Franchise Agreement 10 years Area Development Agreement 2 years
b Renewal or extension of the term	C-24 of Franchise Agreement (also see "Renewal" in Area Development Agreement)	Franchise Agreement If you are in good standing, you may renew franchise for our then current term Area Development Agreement You may renew Agreement for 1 year

Provision	Section in franchise or other agreement	Summary
c Requirements for franchisee to renew or extend	C-24 of Franchise Agreement	<p>You must not be in default under your Franchise Agreement and must sign then-current Franchise Agreement on or before renewal date, comply with our renewal process, sign general release (subject to state laws), and pay fee (if you need 90-day extension to complete renewal process)</p> <p>Terms of our new Franchise Agreement that you sign upon renewal may differ materially from any and all of those contained in Franchise Agreement attached to this disclosure document</p>
d Termination by franchisee	FYP-11 of Franchise Agreement, Amendment for an Additional Bread Company, and Transfer Amendment	Any time before you open your Bread Company and within 20 days after you sign Transfer Amendment, or until Closing, whichever is shorter
e Termination by franchisor without cause	FYP-11 of Franchise Agreement and Transfer Amendment	<p>New Bread Companies Anytime between Franchise Agreement's effective date and 30 days after completion of Bakery School</p> <p>Transfers Within 20 days after you sign Transfer Amendment, or until Closing, whichever is shorter</p>
f Termination by franchisor with cause	C-25 of Franchise Agreement	Except as described in (e) above, we may terminate only if you or your owners default

Provision	Section in franchise or other agreement	Summary
g "Cause" defined — curable defaults	C-25 of Franchise Agreement	<p>You have 3 days to cure health, safety, or sanitation law violations and 30 days to cure monetary and operational defaults (other than those listed in (h) below) and unsatisfied judgments</p> <p>If we notify you in writing of a curable default and you do not give us written notice within 7 days of your intent to cure that default, or you ultimately fail to cure default within applicable cure period, or if we notify you in writing of a non-curable default, then even if you are not terminated, we and our affiliates have right (without liability) to consult with "Interested Parties" (defined as suppliers, landlords, leasing agents, property managers, creditors, and other parties with whom you, we, our affiliates, or other franchisees deal) about your account status with them and us and to advise those Interested Parties that you are in default under any agreement with us or our affiliates and details about your opportunity to cure, if applicable Our good faith communications with Interested Parties to protect our business interests and our System's goodwill in connection with a possible change in status of our franchise relationship with you (whether a termination or transfer) do not constitute tortious interference with contract or business relationships and otherwise are not unlawful or inappropriate in any way By signing the Franchise Agreement, you waive your right to allege tortious interference</p>



Provision	Section in franchise or other agreement	Summary
h "Cause" defined — non-curable defaults	C-25 of Franchise Agreement	Non-curable defaults include abandonment, surrender of Bread Company, unapproved transfers, conviction of felony; conviction of crime or engaging in conduct adversely affecting our reputation and Marks, unauthorized use or disclosure of our confidential information, repeated defaults (even if cured), insolvency, assignment for benefit of creditors, failure to open Bread Company within 18 months (unless we grant extension), failure to cure defaults under third party agreements if that adversely affects our reputation and Marks, closure by government authorities, uncured default under your lease, opening additional or satellite location without our prior written permission, misrepresenting any material fact in writing, failure to pay royalties or other payments owed us; intentionally understating Gross Sales, or purchasing less than 100% of the wheat used in your Bread Company from our approved suppliers
1 Franchisee's obligations on termination/nonrenewal	C-26 of Franchise Agreement	Obligations include complete de-identification (including detailed de-identification plan), paying all amounts due, satisfying gift card liability, selling us your inventory of items bearing our Marks or prepared according to our trade secret specifications (if we want to buy them), returning proprietary materials, discontinuing use of Great Harvest System and trade secrets, allowing us to inspect any business that sells bread, changing all references to us or our System in your telephone numbers and directory listings, complying with our domain name transfer procedures, and notifying us if you intend to sell any baked products within 2 years after termination or expiration of Franchise Agreement (also see (r) below)
j Assignment of contract by franchisor	Not Applicable	No provision on our right to assign
k "Transfer" by franchisee — defined	C-23 of Franchise Agreement	Includes transfer of Franchise Agreement or Bread Company's assets and ownership change

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
l Franchisor approval of transfer by franchisee	C-23 of Franchise Agreement (also see "Other Terms and Conditions" in Area Development Agreement)	Franchise Agreement: We first must approve all transfers but will not unreasonably withhold approval  Area Development Agreement: You may not transfer Agreement
m Conditions for franchisor approval of transfer	C-23 of Franchise Agreement	You are in full compliance with your obligations to us and others, your Bread Company is open, new franchisee qualifies, defaults cured, transfer fee paid, application process and training completed, you pay us all amounts due, you send us all required reports; all our confidential information returned to us, transferee signs our then current franchise agreement, we approve your then current signage (or else buyer will need to make changes); transferee fully assumes liabilities for gift cards, gift certificates, and other customer offers, you agree to disclose to transferee any domain names you maintain, guarantees signed, transferee does not compete with us, and you sign release (if state law allows) (also see (r) below)
n Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Our Franchise Agreement does not contain this provision
o Franchisor's option to purchase franchisee's business	Not Applicable	Our Franchise Agreement does not contain this provision
p Death or disability of franchisee	C-23 of Franchise Agreement	Transfer of Bread Company to approved party within reasonable time (which may include qualified heirs and beneficiaries)
q Non-competition covenants during the term of the franchise	C-16 of Franchise Agreement	No direct or indirect ownership interest in, or performing services for, any business that competes (as defined in Franchise Agreement) with our bread companies using the system within 10 miles of your Search Area (if Bread Company is not open), your Bread Company, or another Great Harvest bread company, no hiring or soliciting our employees or a Great Harvest bread company's employees

	<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
r	Non-competition covenants after the franchise is terminated or expires	C-17 and C-26 of Franchise Agreement	Same as (q) above for 2 years (including after assignment), no hiring or soliciting our employees or a Great Harvest bread company's employees for 2 years, you must pay liquidated damages equal to maximum Continuing Fee due under your Franchise Agreement during period you violate these non-competition provisions, we may inspect your business during this time period (if it sells bread products) to make sure you are complying with obligations
s	Modification of the agreement	C-31 and C-34 of Franchise Agreement	No modifications generally, but we may change start-up materials, internal policies, standards, specifications, and procedures
t	Integration/merger clause	C-34 of Franchise Agreement	Only Franchise Agreement terms are binding (subject to state law) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable
u	Dispute resolution by arbitration or mediation	C-33 of Franchise Agreement	Franchise Agreement anticipates that parties first will mediate (in nearest city to you served by major airport) and, if unsuccessful, then arbitrate all disputes (in your home state or city if possible)
v	Choice of forum	C-31 and C-33 of Franchise Agreement	Litigation must be in Montana (subject to state franchise laws), arbitration generally will be in your state
w	Choice of law	C-31 of Franchise Agreement	Montana law applies except for federal law and your state's non-competition laws (subject to state franchise law)

**Item 18**  
**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 average historical sales numbers appearing in Charts 1, 2, and 4 below are “gross numbers” and do not reflect costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should independently investigate the costs and expenses you will incur in operating your Bread Company. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

If we were investing in a franchise, we would like to think that our prospective franchisor would provide us with the appropriate level of financial information to make an informed investment decision. It is with this thought in mind that we provide you with this numerical analysis.<sup>1</sup>

You and your accountant should perform an independent evaluation and draw your own conclusions. Many variables influence a Great Harvest Bread Company's performance. This is especially true in our “freedom franchise” since our bread companies have greater autonomy than a traditional franchise. That said, the numbers represented in this Item 19 are historical averages of all the reporting bread companies, and these bread companies are substantially similar to the franchises we offer in all states.

Item 7 of this disclosure document outlined the estimated initial investment. The following charts provide you with historical data to analyze and determine your potential return on your investment, both as an owner of a new bread company or as the new owner of an existing bread company.<sup>2</sup>

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Chart 1 shows average annual gross sales reported by Great Harvest Bread Companies.

### CHART 1

*Great Harvest Bread Cos*  
*Average System Wide Sales*

For the Twelve Months Ended November 30,

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Average Annual Gross Sales	\$520,038	\$537,520	\$539,237
Median Annual Gross Sales	\$469,160	\$485,724	\$490,951
No of Bread Companies Included	182	187	185

See Footnote 3

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Chart 2 shows how Gross Sales for the exact same set of bread companies compare to the previous year

### CHART 2

*Great Harvest Bread Cos*  
*Comparable Store Sales Changes*

For the Twelve Months Ended November 30,

	<u>2012</u>	<u>% Change</u>	<u>2013</u>
Comparable Store* Sales Average	\$557,835	-1 70%	\$548,325
Comparable Store* Sales Median	\$507,963	-1 53%	\$500,188

For the Twelve Months Ended November 30,

	<u>2011</u>	<u>% Change</u>	<u>2012</u>
Comparable Store* Sales Average	\$531,054	2 13%	\$542,363
Comparable Store* Sales Median	\$477,264	0 46%	\$479,456

See Footnote 4

\* Comparable stores are defined as bread companies that (i) have been open for at least 12 full months before the beginning of the earliest period presented and (ii) have reported Gross Sales to us for the full periods presented (i.e., all 24 months presented). Sales from non-baking locations that have been open for at least 12 full months before the beginning of the earliest period presented are included in their associated bread company's Gross Sales<sup>4</sup>

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Chart 3 represents the Operating Results from reporting bread companies that submitted their income statements for any of the full 2010, 2011, or 2012 calendar years<sup>5</sup>

### CHART 3

*Great Harvest Bread Cos*  
*Average System Wide Operating Results*

	Average for Bread Cos Open 12 Months or More as of January 1, 2010 (135 Reporting Bread Cos – See footnote 6)		Average for Bread Cos Open 12 Months or More as of January 1, 2011 (143 Reporting Bread Cos – See footnote 7)		Average for Bread Cos Open 12 Months or More as of January 1, 2012 (144 Reporting Bread Cos – See footnote 8)	
	Fiscal Year 2010 Average	Percent of Average Gross Sales	Fiscal Year 2011 Average	Percent of Average Gross Sales	Fiscal Year 2012 Average	Percent of Average Gross Sales
Gross Sales (includes sales from non-baking locations)	\$ 578,637	100 0%	\$ 586,612	100 0%	\$ 605,023	100 0%
Operating Expenses, before bread company owners' pay, depreciation, amortization, and interest						
Variable costs (consists of ingredients, labor before bread company owners' pay, supplies, promotion, and royalty to franchisor, ranging from 1 5% to 7% of gross sales)	385,951	66 7%	396,765	67 6%	408,243	67 5%
Fixed costs (consists of rent, utilities, and other operating costs)	103,170	17 8%	105,118	17 9%	107,204	17 7%
Total operating expenses (excludes bread company owners' pay, depreciation, amortization and interest )	489,134	84 5%	501,883	85 5%	515,447	85 2%
Net operating income before bread company owners' pay, depreciation, amortization, and interest	89,503	15 5%	\$ 84,729	14 5%	\$ 87,493	14 5%

Chart 4 represents average monthly Gross Sales reported by first time Great Harvest Bread Company owners<sup>9</sup>. We attribute the increase since 2009 to our new training and opening strategies. The most significant changes we made include: (i) we added and now require you to attend our bread school where you learn our baking systems in a safe, no-pressure environment which has virtually eliminated quality issues in new bread companies and allows us at opening to work with your crew instead of fine tuning your baking skills, and (ii) we recommend that new bread companies mirror older ones in their menu selections and operating hours—open 6 days a week and offer cold sandwiches from the beginning, leaving Panini offerings, cinnamon rolls, and hard crusted bread to be added at a later time.

#### CHART 4

*Great Harvest Bread Cos*  
*Average Monthly Sales for First-time Bakery Owners*

	Stores Opening During Twelve Months Ended November 30,			
	2010	2011	2012	2013
Average Monthly Gross Sales	\$36,867	\$40,798	\$44,162	\$45,111
Median Monthly Gross Sales	\$35,921	\$42,028	\$40,128	\$41,237
No. of Bread Companies Included	9	10	6	7
Total No. of Months Included	74	55	32	49
No. of Bread Companies Exceeding Average	4	7	1	2
Percent of Total	44.4%	70.0%	16.7%	28.6%

See Footnote 10

We also have included in the pro forma worksheet below, together with additional explanatory notes, a detailed breakdown of certain average costs (as a percentage of sales) from 2012 for 144 reporting bread companies. We based these presentations on financial information that franchisees reported to us. We have not audited this information or otherwise verified its accuracy. The reporting franchisees reported their numbers for 2012. The amounts presented in the pro forma worksheet do not include any results for 31 of our franchisees in operation during the entire 2012 year, as these franchisees failed to report any or some of their 2012 financial results to us. Had these non-reporting franchisees' results been included with those of the reporting franchisees, the amounts would differ, perhaps significantly, from those reported. We have not adjusted the numbers to conform the accounting practices that each bread company uses. Differences in depreciation methods, cash or accrual methods of accounting, and the like affect the comparability of the information presented. Bread companies in 40 states are represented in the averages.

This Pro Forma worksheet is to be used only in conjunction with the detailed system performance information in Item 19 of the 2014 Great Harvest Franchise Disclosure Document

	Year 1 %	2012 System Averages	Year 4 %	2012 System Averages
Sales, Main Store – Retail				
Sales, Offsite				
Total Amount Gross Sales	100%		100%	
Payroll with Burden (Footnote 11)		28 5%		28 5%
Ingredients (Footnote 12)		33 8%		33 8%
Promotion (Footnote 13)		1 3%		1 3%
Royalty				
Total Variable Costs				
Rent (Footnote 14)		9 2%		9 2%
Utilities (Footnote 15)		2 9%		2 9%
Repairs & Maintenance (Footnote 16)		1 0%		1 0%
Insurance (Footnote 17)		0 5%		0 5%
Professional Fees (Footnote 18)		0 5%		0 5%
Loan Payment				
Local Tax & Licenses (Footnote 19)		0 4%		0 4%
Supplies (Footnote 20)		1 3%		1 3%
Other Expenses (auto, credit cards, bank fees) (Footnote 21)		3 5%		3 5%
Total Fixed Costs				
Net Earnings before take home, Amortization, Depreciation & Taxes				

#### Item 19 Footnotes

- 1) We do not project sales, costs, or profits of bread companies. We cannot predict whether or to what extent you may succeed at any particular location. We do, however, provide certain sales and cost statistics as described in this Item 19.
- 2) The franchised bread companies whose performance is presented in this Item 19 are substantially similar to the franchises we offer in all states. All bread companies are owner-managed and receive substantially the same services. We obtained all numerical information from reports submitted by the franchised bread companies and have not independently audited them. Your Bread Company's actual performance will be affected by specific conditions in your Bread Company's market.
- 3) Chart 1 includes any associated non-baking locations' sales for the periods represented. A non-baking location is a retail location using the Great Harvest name, other than a franchisee's bread company, that is leased, owned, or otherwise controlled by a franchisee and open 190 days or more during the year and to which a franchisee delivers fully-baked



bread and other baked products from its bread company. The bread companies whose annual Gross Sales are represented in a particular year in Chart 1 (a) were open and operating for the full 12-month period ended October 31 in the year indicated and (b) reported their sales to us for the period listed.

Of the 182 bread companies meeting criterion (a) above for the 12 months ended October 31, 2011, 182 also met criterion (b). Of these 182 bread companies, 67, or 36.8%, exceeded the annual average Gross Sales of \$520,038. Of the 187 bread companies meeting criterion (a) above for the 12 months ended October 31, 2012, 187 also met criterion (b). Of these 187 bread companies, 70, or 37.4%, exceeded the annual Gross Sales number of \$537,520. Of the 189 bread companies meeting criterion (a) above for the 12 months ended October 31, 2013, 185 also met criterion (b). Of these 185 bread companies, 75, or 40.5%, exceeded the average annual Gross Sales of \$539,237.

The median Gross Sales for the 12 months ended October 31, 2011, 2012, and 2013 represent the sales volume where approximately 50% of the bread companies have higher Gross Sales and 50% of the bread companies have lower Gross Sales for the year.

- 4) Comparable Stores are defined as bread companies that (i) have been open for at least 12 full months before the beginning of the earliest period presented and (ii) have reported Gross Sales to us for the full periods presented (i.e., all 24 months presented). Sales from non-baking locations that have been open for at least 12 full months before the beginning of the earliest period presented are included in their associated Bread Companies' Gross Sales.

The numbers in the chart above for the 2013 to 2012 comparison report the Gross Sales of 161 bread companies that met both criterion (i) and (ii). However, in 2013 there was a total of 184 bread companies that met criterion (i) only and in 2012 there was a total of 186 bread companies that met criterion (i) only. Of the 184 bread companies meeting only criterion (i) in 2013, 68, or 37.0%, exceeded the 2013 average of \$548,325 presented above. Of the 186 bread companies meeting only criterion (i) in 2012, 65 or 34.9%, exceeded the 2012 average of \$557,835 presented above.

The numbers in the table above for the 2012 to 2011 comparison report the Gross Sales of 166 bread companies that met both criterion (i) and (ii). However, in 2012 there was a total of 186 bread companies that met criterion (i) only and in 2011 there was a total of 183 bread companies that met criterion (i) only. Of the 186 bread companies meeting only criterion (i) in 2012, 67, or 36.0%, exceeded the 2012 average of \$542,363 presented above. Of the 183 bread companies meeting criterion (i) in 2011, 72, or 39.3%, exceeded the 2011 average of \$531,054 presented above.

The median Gross Sales for the 12 months ended October 31, 2011, 2012, and 2013 represent the sales volume where approximately 50% of the bread companies have higher Gross Sales and 50% of the bread companies have lower Gross Sales for the year.

The bread companies represented in the 2013 and 2012 comparison will be different from the bread companies in the 2012 and 2011 comparison because they are comprised of different groups. This explains why the sales number for 2012 changes between the two comparisons

- 5) Numbers presented in Chart 3 have not been adjusted to conform to the accounting practices that each bread company uses. Differences in depreciation methods, cash or accrual methods of accounting, and the like affect the comparability of the information presented
- 6) In 2010, 46 Bread Companies, or 34 1%, of the 135 reporting bread companies whose averages are set forth above, achieved gross sales in excess of the \$578,637 average for those 135 reporting bread companies. In addition, 14 of these 135 reporting bread companies operated a total of 17 non-baking locations. Sales and expenses from these non-baking locations are included in the gross sales and expenses of the applicable main bread company. Gross sales for these 135 reporting bread companies ranged from a low of \$286,379 to a high of \$2,159,433.

65 Bread Companies, or 48 1%, of the 135 reporting bread companies whose averages are set forth above, achieved net pre-tax income — before bread company owners' pay, depreciation, amortization, and interest — in excess of the \$89,503 average for the 135 reporting bread companies. Net pre-tax income (loss) ranged from a low of (\$36,800) to a high of \$416,540.

Of the 187 bread companies open for the full 12 months or more by January 1, 2010, 135 reported their 2010 financial results to us, the averages of which are presented above. These 135 reporting bread companies were located in 39 different states. The 52 non-reporting bread companies were located in 24 different states. The 2010 average gross sales for these 52 non-reporting bread companies was \$358,992. 12, or 23 1%, of these non-reporting bread companies' 2010 average gross sales exceeded this average of \$358,992.

- 7) In 2011, 53 Bread Companies, or 37 1%, of the 143 reporting bread companies whose averages are set forth above, achieved gross sales in excess of the \$586,612 average for those 143 reporting bread companies. In addition, 13 of these 143 reporting bread companies operated a total of 17 non-baking locations. Sales and expenses from these non-baking locations are included in the gross sales and expenses of the applicable main bread company. Gross sales for these 143 reporting bread companies ranged from a low of \$181,087 to a high of \$2,141,577.

53 Bread Companies, or 37 1%, of the 143 reporting bread companies whose averages are set forth above, achieved net pre-tax income — before bread company owners' pay, depreciation, amortization, and interest — in excess of the \$84,729 average for the 143 reporting bread companies. Net pre-tax income (loss) ranged from a low of (\$119,838) to a high of \$315,319.

Of the 195 bread companies open for the full 12 months or more by January 1, 2011, 143 reported their 2011 financial results to us, the averages of which are presented above. These 143 reporting bread companies were located in 38 different states. The 52 non-reporting bread companies were located in 27 different states. The 2011 average gross sales for these 52 non-reporting bread companies was \$389,516. 13, or 25%, of these non-reporting bread companies' 2011 average gross sales exceeded this average of \$389,516.

- 8) In 2012, 53 Bread Companies, or 36.8%, of the 144 reporting bread companies whose averages are set forth above, achieved gross sales in excess of the \$605,023 average for those 144 reporting bread companies. In addition, 13 of these 144 reporting bread companies operated a total of 16 non-baking locations. Sales and expenses from these non-baking locations are included in the gross sales and expenses of the applicable main bread company. Gross sales for these 144 reporting bread companies ranged from a low of \$186,495 to a high of \$2,302,203.

62 Bread Companies, or 43.1%, of the 144 reporting bread companies whose averages are set forth above, achieved net pre-tax income — before bread company owners' pay, depreciation, amortization, and interest — in excess of the \$87,493 average for the 144 reporting bread companies. Net pre-tax income (loss) ranged from a low of (\$42,792) to a high of \$464,666.

Of the 204 bread companies open for the full 12 months or more by January 1, 2012, 144 reported their 2012 financial results to us, the averages of which are presented above. These 144 reporting bread companies were located in 40 different states. The 60 non-reporting bread companies were located in 21 different states. The 2012 average gross sales for these 60 non-reporting bread companies was \$415,169. 11, or 18.3%, of these non-reporting bread companies' 2012 average gross sales exceeded this average of \$415,169.

- 9) Chart 4 represents the average monthly Gross Sales reported by first time Great Harvest Bread Company owners that opened sometime during the period from November 2009 through October 2010, from November 2010 through October 2011, from November 2011 through October 2012, and from November 2012 through October 2013, even if the bread company was not open for the full 12-month period (partial months of operation excluded). Additional locations opened by existing franchisees are excluded from the chart. We omitted one location from the calculations of Average and Median Monthly Gross Sales for the year ended October 31, 2013 because that location is open less than 6 days a week and therefore below our recommended number of days per week to operate a bread company. That bread company also opened without sandwiches on its menu, which is against our recommendations. Its average monthly sales were \$19,943.
- 10) The amounts reported in Chart 4 represent average monthly and median monthly Gross Sales reported by bread companies that opened during the periods indicated, the ownership of which is by first time Great Harvest franchisees. Additional locations opened by existing franchisees are not included. The monthly numbers include only full months as partial months are excluded. In addition, each of the four separate 12-month periods

presented includes reported sales only for those bread companies opening within that specific 12-month period.

- 11) 68 bread companies, or 47.2%, of the 144 reporting bread companies achieved a percentage below the system average, and 76 bread companies, or 52.8%, of the 144 reporting bread companies achieved a percentage above the system average.
- 12) 74 bread companies, or 51.4%, of the 144 reporting bread companies achieved a percentage below the system average, and 70 bread companies, or 48.6%, of the 144 reporting bread companies achieved a percentage above the system average
- 13) 84 bread companies, or 58.3%, of the 144 reporting bread companies achieved a percentage below the system average, and 60 bread companies, or 41.7%, of the 144 reporting bread companies achieved a percentage above the system average
- 14) 73 bread companies, or 50.7%, of the 144 reporting bread companies achieved a percentage below the system average, and 71 bread companies, or 49.3%, of the 144 reporting bread companies achieved a percentage above the system average
- 15) 75 bread companies, or 52.1%, of the 144 reporting bread companies achieved a percentage below the system average, and 69 bread companies, or 47.9%, of the 144 reporting bread companies achieved a percentage above the system average
- 16) 77 bread companies, or 53.5%, of the 144 reporting bread companies achieved a percentage below the system average, and 67 bread companies, or 46.5%, of the 144 reporting bread companies achieved a percentage above the system average
- 17) 78 bread companies, or 54.2%, of the 144 reporting bread companies achieved a percentage below the system average, and 66 bread companies, or 45.8%, of the 144 reporting bread companies achieved a percentage above the system average
- 18) 83 bread companies, or 57.6%, of the 144 reporting bread companies achieved a percentage below the system average, and 61 bread companies, or 42.4%, of the 144 reporting bread companies achieved a percentage above the system average
- 19) 95 bread companies, or 66%, of the 144 reporting bread companies achieved a percentage below the system average, and 49 bread companies, or 34.0%, of the 144 reporting bread companies achieved a percentage above the system average
- 20) 86 bread companies, or 59.7%, of the 144 reporting bread companies achieved a percentage below the system average, and 58 bread companies, or 40.3%, of the 144 reporting bread companies achieved a percentage above the system average
- 21) 81 bread companies, or 56.3%, of the 144 reporting bread companies achieved a percentage below the system average, and 63 bread companies, or 43.8%, of the 144 reporting bread companies achieved a percentage above the system average

The information in this Item 19 is to help you and your professional advisors evaluate our franchise opportunity. Some Great Harvest Bread Companies have sold this amount. Your individual results may differ. There is no assurance that you will sell as much. Written substantiation for this financial performance representation will be made available to you upon reasonable request. This financial performance representation was prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Heidi Melendez, Great Harvest Franchising, Inc., 28 South Montana Street, Dillon, Montana 59725, (800) 442-0424, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **Item 20** **OUTLETS AND FRANCHISEE INFORMATION**

All year-end numbers appearing in the tables below are as of December 31 in each year.

Table No. 1

### **Systemwide Outlet Summary For years 2011 to 2013**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2011	196	195	-1
	2012	195	195	0
	2013	195	195	0
Company- Owned	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
Total Outlets	2011	196	195	-1
	2012	195	195	0
	2013	195	195	0

Table No 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2011 to 2013**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
California	2011	1
	2012	0
	2013	1
Colorado	2011	1
	2012	2
	2013	1
Hawaii	2011	0
	2012	1
	2013	0
Idaho	2011	0
	2012	1
	2013	0
Illinois	2011	0
	2012	0
	2013	2
Indiana	2011	2
	2012	0
	2013	0
Kentucky	2011	0
	2012	1
	2013	0
Michigan	2011	0
	2012	1
	2013	2

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Mississippi	2011	0
	2012	0
	2013	1
Montana	2011	0
	2012	1
	2013	0
North Carolina	2011	0
	2012	2
	2013	0
Oregon	2011	0
	2012	1
	2013	0
Pennsylvania	2011	1
	2012	1
	2013	0
South Dakota	2011	1
	2012	0
	2013	0
Tennessee	2011	1
	2012	0
	2013	1
Utah	2011	0
	2012	0
	2013	2
Washington	2011	1
	2012	0
	2013	2
Wyoming	2011	0
	2012	1

Column 1	Column 2	Column 3
State	Year	Number of Transfers
	2013	0
Total	2011	6
	2012	12
	2013	12

Table No. 3

**Status of Franchised Outlets  
For years 2011 to 2013**

Col 1	Col. 2	Col 3	Col 4	Col. 5	Col 6	Col. 7	Col 8	Col 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alaska	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Arizona	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
California	2011	10	0	1	0	0	0	9
	2012	9	0	3	0	0	0	6
	2013	6	0	0	0	0	0	6
Colorado	2011	10	0	0	0	0	0	10
	2012	10	0	0	0	0	0	10
	2013	10	0	0	0	0	0	10
Connecticut	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2



Col 1	Col. 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2013	2	0	0	0	0	0	2
Delaware	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Florida	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Georgia	2011	5	0	2	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	1	0	0	0	0	4
Hawaii	2011	4	0	1	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	1	1	0	0	0	3
Idaho	2011	7	0	1	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	1	0	0	0	0	7
Illinois	2011	9	1	0	0	0	0	10
	2012	10	0	1	0	0	0	9
	2013	9	0	0	0	0	0	9
Indiana	2011	5	0	0	0	0	0	5
	2012	5	0	1	0	0	0	4
	2013	4	0	1	0	0	0	3
Iowa	2011	2	0	2	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1

Col. 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions - Other Reasons	Outlets at End of the Year
Kansas	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Kentucky	2011	3	1	0	0	0	0	4
	2012	4	0	1	1	0	0	2
	2013	2	0	0	0	0	0	2
Louisiana	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Maryland	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Massa- chusetts	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Michigan	2011	15	0	2	0	0	0	13
	2012	13	1	0	0	0	0	14
	2013	14	0	1	0	0	0	13
Minnesota	2011	8	0	0	0	0	0	8
	2012	8	1	0	0	0	0	9
	2013	9	1	1	0	0	0	9
Mississippi	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	1	0	0	0	1

Col. 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions - Other Reasons	Outlets at End of the Year
Missouri	2011	2	1	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Montana	2011	7	0	0	0	0	0	7
	2012	7	0	0	0	0	0	7
	2013	7	0	0	0	0	0	7
Nebraska	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	1	0	0	0	1
Nevada	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	1	1	0	0	0	5
New Hampshire	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New Jersey	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
	2013	0	0	0	0	0	0	0
New Mexico	2011	1	1	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
New York	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2

Col 1	Col. 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
North Carolina	2011	9	0	0	0	0	0	9
	2012	9	0	0	0	0	0	9
	2013	9	1	0	0	0	0	10
North Dakota	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Ohio	2011	7	0	1	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	0	1	0	0	0	5
Oklahoma	2011	1	0	1	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Oregon	2011	11	0	0	0	0	0	11
	2012	11	0	0	0	0	0	11
	2013	11	0	0	0	0	0	11
Pennsylvania	2011	3	1	1	0	0	0	3
	2012	3	0	1	0	0	0	2
	2013	2	1	1	0	0	0	2
Rhode Island	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
South Carolina	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2

Col 1	Col 2	Col 3	Col 4	Col. 5	Col 6	Col 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions - Other Reasons	Outlets at End of the Year
South Dakota	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Tennessee	2011	3	0	0	0	0	0	3
	2012	3	0	1	0	0	0	2
	2013	2	0	0	0	0	0	2
Texas	2011	6	0	2	0	0	0	4
	2012	4	1	0	0	0	0	5
	2013	5	1	0	0	0	0	6
Utah	2011	13	2	0	0	0	0	15
	2012	15	0	0	0	0	0	15
	2013	15	1	0	0	0	0	16
Vermont	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Virginia	2011	4	2	0	0	0	0	6
	2012	6	1	0	0	0	0	7
	2013	7	1	0	0	0	0	8
Washington	2011	13	1	0	0	0	0	14
	2012	14	2	1	0	0	0	15
	2013	15	0	3	0	0	0	12
Wisconsin	2011	5	1	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	0	0	0	0	0	6

Col 1	Col 2	Col 3	Col 4	Col 5	Col. 6	Col 7	Col 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Wyoming	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3
Totals	2011	196	13	14	0	0	0	195
	2012	195	11	10	1	0	0	195
	2013	195	12	12	0	0	0	195

Table No 4

**Status of Company-Owned Outlets  
For years 2011 to 2013**

Col 1	Col 2	Col. 3	Col 4	Col 5	Col. 6	Col 7	Col 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
We did not own any bread companies during our last 3 fiscal years	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Totals	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

Table No. 5

**Projected Openings as of December 31, 2013**

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Bread Companies Not Open	Projected New Franchised Bread Companies In the Next Fiscal Year	Projected New Company-Owned Bread Companies In the Next Fiscal Year
California	2	3	0
District of Columbia	1	1	0
Florida	1	1	0
Georgia	1	1	0
Illinois	1	2	0
Indiana	1	1	0
Kansas	1	1	0
Louisiana	0	1	0
Minnesota	1	1	0
Missouri	0	1	0
North Carolina	0	1	0
Ohio	0	1	0
Pennsylvania	1	1	0
Utah	1	1	0
Virginia	1	2	0
Wisconsin	3	3	0
Total	15	22	0

Exhibit D is a list of all Great Harvest bread company franchisees and the addresses and telephone numbers of their bread companies and Satellites. Exhibit J is a list of the names, city and state, and current business telephone numbers (or, if unknown, the last known home telephone numbers) of the 23 franchisees (covering 24 outlets) who had outlets terminated, cancelled, or not renewed or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement (including due to transfers and some of whom remain in the system with other Bread Companies) from January 1, 2013 to December 31, 2013 or who have not communicated with us within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the Great Harvest franchise system.

**Item 21**  
**FINANCIAL STATEMENTS**

Exhibit C contains our audited balance sheets as of October 31, 2013, 2012, and 2011 and our audited statements of operations, stockholders' equity, and cash flows for the fiscal years ended October 31, 2013, 2012, and 2011

**Item 22**  
**CONTRACTS**

The following agreements/documents are exhibits.

1. Franchise Agreement — Exhibit A
2. Amendment for Renewal of Franchise Agreement — Exhibit E
3. Amendment for an Additional Bread Company — Exhibit F
4. Amendments for Satellite Renewal — Exhibit G
5. Guaranty Agreement — Exhibit H
6. Area Development Agreement — Exhibit K
7. Amendment for Transfer of Great Harvest Bread Company — Exhibit L
8. Mutual General Release — Exhibit M
9. Territory and Continuing Fee Acknowledgement — Exhibit N
10. State Riders to Franchise Agreement — Exhibit O

**Item 23**  
**RECEIPTS**

Our and your copies of the Franchise Disclosure Document Receipt are the last 2 pages of this disclosure document



***EXHIBIT A***  
***FRANCHISE AGREEMENT***

# **GREAT HARVEST**

## **FRANCHISE AGREEMENT**

**Effective Date:** \_\_\_\_\_

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# Great Harvest Franchise Agreement

This Agreement is between Great Harvest Franchising, Inc., a Montana corporation (hereafter sometimes "Great Harvest," "we," or "us"), and

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(hereafter sometimes "Bread Company Owner" or "you")

This Franchise Agreement governs the ongoing relationship between you and us. This Agreement is for only one Great Harvest bread company (the "Bread Company"), the single and specific location where you first sell bread to the public. It grants you the right and obligation to operate a Great Harvest bread company at this one retail location and does not grant you any exclusive or territorial rights other than those expressly contained in this Agreement.

We have a reputation for great bread and quality products. We franchise bread companies that bake and sell these phenomenal products under the name Great Harvest Bread Co.<sup>®</sup> We have earned this great reputation after hundreds of thousands of hours devoted to experimenting, testing and perfecting the making, marketing and selling of Great Harvest bread and related products. We have developed a system of business identification, product acquisition, recipes, baking procedures, customer identification, employee morale, and related business procedures for the operation of a Great Harvest bread company (the "Great Harvest System"). We display to the public the names and marks "Great Harvest" and "Great Harvest Bread Co.," along with other trademarks, signs, symbols, copyright materials and associated trade slogans, which we have adopted as part of the Great Harvest System. We may adopt other marks and commercial symbols for use with the Great Harvest System in the future. You want to make Great Harvest bread, operate a Great Harvest bread company and use the Great Harvest System, at the location specified in this Agreement. You also want to buy from us and pay for the right to make Great Harvest bread, operate a Great Harvest bread company and use the Great Harvest System. The relationship between you and us, which this Agreement creates and controls, is one of mutual interdependence and a formal franchise relationship. In a traditional franchise relationship, we would reserve an ability to control most aspects of your business, with few exceptions. However, under this Agreement our relationship with you and yours with us, is one where both parties are free to run their respective businesses as they like, with few exceptions. Accordingly,

**ANYTHING**  
**not expressly prohibited by the language of this Agreement**  
**IS ALLOWED.**

The remainder of this Agreement is divided into four sections: First Year Promises, continuing promises we make to you, continuing promises you make to us, and additional clauses.

## ***Preliminary Definitions:***

For the purpose of this Agreement, we will define a "signed Great Harvest Insider" as (1) any Bread Company owner or partner whose signature is on an effective Great Harvest Franchise Agreement or Guaranty Agreement, (2) any employee of Great Harvest Franchising, Inc., or (3) any employee of any Great Harvest bread company whose signature is on an effective Confidentiality and Non-Competition Agreement provided by us. These three categories of persons are the only possible Signed Great Harvest Insiders; excluded from insider status would be all close family of

Great Harvest owners and employees, all Great Harvest suppliers or subcontractors, and all former Great Harvest owners and employees

## **FIRST YEAR PROMISES:**

By this Franchise Agreement we are granting you the right and obligation to establish and operate a Great Harvest bread company (the "Bread Company") under the Great Harvest System. We have baked Great Harvest bread and consulted in the operation of Great Harvest bread companies for more than 30 years. We have drawn on the combined experiences of all Great Harvest bread companies and their owners and employees. The Great Harvest System we are licensing to you through this Agreement is the culmination of everything we have learned thus far.

You acknowledge that you know less than we do about Great Harvest bread and the operation of a Great Harvest bread company. You promise to operate your Bread Company exactly according to the rules we set down in this section on First Year Promises and the Pre-Opening Requirements in the First Year Guidelines. The First Year Guidelines are a set of operational rules and recommendations that apply to your Bread Company before opening and during the first year. Some of them won't make sense to you. That isn't important. There are bad traps in the operation of a Great Harvest bread company, which are tricky and strong. Tinkering with any part of the Great Harvest System before you know how it works can badly weaken your business.

The promises of this section apply only to the pre-opening phase and first year of operation of a *new* bakery, they do not apply in circumstances of an additional location, except as addressed in an Amendment, renewal or a transfer of franchise rights.

### ***Our First Year Promises***

#### ***FYP 1. Confidential start-up kit and business equipment***

We will provide you with a numbered copy or access to the electronic files of the Great Harvest Confidential Start-Up Kit. This Kit is yours to keep as long as you are a Great Harvest bread company owner. Many of its materials are most useful during start-up. Because of this, we do not update your original Start-Up Kit as new information becomes available but disseminate new ideas to all the bread companies through other means. You agree never to copy or otherwise communicate any part of the Kit to anyone except another Signed Great Harvest Insider.

Before Bakery Boot Camp, we will also provide you with a personal computer loaded with selected software for use in the operation of your Bread Company.

No later than the week you open your Bread Company, we will provide you with an oven timer and gift card machine.

#### ***FYP 2. Search area***

You may search for a location for the Bread Company within the following defined area:

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We agree not to establish or franchise another Great Harvest bread company within the above-defined area until your search is finished. As soon as you sign a lease or purchase a building for your Bread Company location, the Search Area restrictions on us expire. We are then free to develop the area within your former Search Area. If you request to change your Search Area at any time prior to signing a lease or purchasing a building for the Bread

Company location, we may charge a \$250 fee. We will evaluate the proposed search area, and may re-evaluate your entire application for a Bread Company to be located in the newly proposed Search Area. Any new Search Area assignment will be subject to our approval. If this results in a second location hunt, we may charge you direct expenses for the second trip.

We are limited in how closely we can place another Bread Company to yours by the territory provision in this Agreement. Except as expressly restricted by a territory promise, however, we are totally free to develop or franchise additional locations.

### ***FYP 3. Location trip***

We will provide advice on locations for the Bread Company, including one on-site visit by a location hunter of our choice. We may charge you direct expenses for any additional location trips which you request.

### ***FYP 4. Initial training***

We will provide you initial training in the Great Harvest System. If you are in compliance with the Pre-Opening Requirements in the First Year Guidelines, we will provide a minimum of two hundred (200) total working hours of hands-on, person-to-person training by us, established bread company owners, or their experienced employees, including personal visits by you to the Dillon, Montana, Franchise Office, and training at your Bread Company during its first week of operation. If you do not comply with the Pre-Opening Requirements in the First Year Guidelines, you may not receive the full 200 working hours. We will provide you with a current version of the Pre-Opening Requirements before you sign this Agreement.

### ***FYP 5. Visits***

We will visit your Bread Company for one full day, four times in your first two years of operation. The purpose of these visits will be to help you and also to observe your adherence to the promises you make in this Agreement.

## ***Your First Year Promises***

### ***FYP 6. Initial fee***

You will pay us \$24,000 at the time of signing this Agreement and \$14,000 three weeks prior to the planned opening date of your Bread Company, for a total initial franchise fee of \$38,000. We offer a 15% discount for honorably-discharged veterans of the United States Armed Forces who control at least 50% of the bakery at the time of signing this Franchise Agreement. If you qualify for this discount, you agree to pay us \$20,400 at the time of signing this Agreement and \$11,900 three weeks prior to the planned opening date of your Bread Company.

We offer three potential rebates of a portion of this initial franchise fee:

- \$1000 maximum rebate to match actual pre-opening marketing expenses you incur (and document to our reasonable satisfaction) on approved marketing activities and materials,
- \$1000 rebate (in total) if you submit your opening start-up costs after opening and six monthly income statements (by the 25th day of the following month) for each of the Bread Company's second through seventh months of operations, and
- \$1000 rebate (in total) if you submit a loaf of honey whole wheat bread to us for tasting during each of the Bread Company's second through seventh months of operations (six loaves total).

We will pay you the applicable rebate(s) within 14 days after you satisfy the conditions for receiving the rebate(s).

## ***FYP 7. Initial training***

All persons whose signatures are on this Agreement or Guaranty Agreement must complete the Great Harvest University ("GHU") online coursework before opening. GHU's online coursework lays the groundwork for successful bakery ownership. This phase consists entirely of self-directed, self-paced learning activities designed to teach key concepts that you will apply and practice later during Sandwich School, Bread Week and Bakery Boot Camp. For that reason, the main bread company operator whose signature is on this Agreement or Guaranty Agreement is required to complete the coursework posted on the Breadboard, our intranet site, before attending Bakery Boot Camp.

You must send all persons whose signatures are on this Agreement or Guaranty Agreement for completion of the three day "Sandwich School," consisting of three full days of training in Dillon, Montana. This portion of the training is for learning the pace of production, style at the counter, customer service, general bakery systems, employee training, food safety, predictions and promotion. At this time the training attendees will also make observations that will be helpful during start-up, especially noting differences in locations, equipment, and layout. "Sandwich School" will be provided by Dillon trainers and other employees of the Dillon office and will consist of hands-on training in our test lab and in-class sessions. Travel, food, and lodging, along with any costs or inconvenience caused by taking time off, will be at your expense and should be anticipated as a cost of start-up. However, any person whose signature is on this Agreement or Guaranty Agreement and is not the main operator may replace the above "Sandwich School" training requirement with onsite Customer Service Training at your bakery being taught by the Breadboard trainer during onsite training week as defined in the training schedule which will be sent to you prior to opening. This portion of the training is for learning the pace and style of customer service at the counter, employee training, food safety and general bakery systems.

You will send the main bread company operator whose signature is on this Agreement or Guaranty Agreement for completion of the "Bread Week Training," consisting of five full days of production training in Dillon, Montana. This portion of the training is for becoming proficient and confident in bread-making and sweets-making skills. Travel, food, and lodging, along with any costs or inconvenience caused by taking time off, will be at your expense and should be anticipated as a cost of start-up.

You will send the main bread company operator whose signature is on this Agreement or Guaranty Agreement to the Dillon Franchise Office to participate in the five day "Bakery Boot Camp." "Bakery Boot Camp" is the culmination of all your learning to date. During this intensive five day program, the main bread company operator is assigned to a small team of owners, and in your teams you will plan for, prepare for, and then actually open and operate a live bakery called Great Harvest University Bakery. At the end of the week, your main bread company operator will present to the Great Harvest leadership team the business results his or her team produces and his or her plans to apply the lessons learned in your own bakery. Travel, food, and lodging, along with any costs or inconvenience caused by taking time off, will be at your expense and should be anticipated as a cost of start-up. In addition, you promise to send us your Certificate of Occupancy (or comparable local licensing requirement) and a video(s) of the exterior and interior of your unopened Bread Company. The on-site portion of your initial training will be scheduled only after you are in compliance with the Pre-opening Requirements in the First Year Guidelines. Each person whose signature is on this Agreement or Guaranty Agreement will complete at least one week of training at the opening of your Bread Company, referred to as the Opening Training. This training will take place in your Bread Company at opening and will be conducted by trainers designated by us. You may not open your Bread Company without the Opening Training provided by us, which will be free to you.

### ***SANDWICH TRAINING EXCEPTION***

We strongly recommend that you include sandwiches in your product line on the day you open. The initial training program is currently designed to prepare you for offering this product line without sacrificing product quality in any way. However, if you choose not to take advantage of the opportunity to open with sandwiches, we will waive your required attendance at Sandwich School described above. In exchange, you agree not to sell sandwiches in your Bread Company until you complete Sandwich School in Dillon and attend on-site training, provided by us, in your Bread Company. Since the on-site training was available to you as part of the standard Opening Training, but you chose not to use it, the cost to you for this additional trip is \$3,000. You may pay us within 30 days of our completion of this additional trip.



## ***FYP 8. Substantial and continuing progress toward opening***

Your Bread Company must be opened within eighteen (18) months from the effective date of this Agreement. If not, this Agreement will automatically terminate without notice from us, unless further extended by us in writing. Should this Agreement automatically terminate due to not being opened within the eighteen (18) month timeline, we will keep \$10,000 of your initial fee. The remainder will be refunded to you, without interest, once you have signed a Mutual Release and all of our confidential information (as defined in Section C15) is returned to us.

This period is longer than typical among franchise systems but is given in order to avoid time pressures during the search for a location. Your intent is to open a Bread Company as quickly as possible within the realm of good business judgment and not tie up a Search Area for an unreasonable period of time. Therefore, you must demonstrate a reasonable, sincere, and continuing effort to get the Bread Company opened throughout the start-up process. You will present us with your selected location(s) for our evaluation and approval, and you agree you will not sign a lease for a location we have not approved.

## ***FYP 9. Relationship with business***

One person whose signature is on this Agreement or Guaranty Agreement agrees to live no more than a 30 minute commute from your Bread Company and must be personally present at this location a minimum of 25 hours per week for 45 weeks of the first year.

## ***FYP 10. First Year Guidelines***

The First Year Guidelines is a set of Pre-Opening Requirements and Operational Recommendations. Compliance with the Pre-Opening Requirements in the First Year Guidelines is required before we will send the opening training team to your store. You are not required, but are strongly encouraged, to follow the Operational Recommendations. The First Year Guidelines explain our strong recommendations and is meant to insure that you get the full benefit of our years of experience in setting up and running bread companies.

As with the Confidential Start-Up Kit, you agree never to copy or otherwise communicate any part of the First Year Guidelines to anyone except another Signed Great Harvest Insider. The only exception is the Pre-Opening Requirements section of the First Year Guidelines, which is not confidential.

## ***Additional First Year Clauses***

## ***FYP 11. Termination, refund, expiration***

Prior to signing this Agreement, you researched the Great Harvest program to see if the business could help you reach your goals. We have received your written application, conducted phone interviews, and met you at Discovery Day. Signing this Agreement indicates that, to this point, both parties are enthusiastic with the results of their research and are committed to opening your new Bread Company. Both parties also understand, though, that the best laid plans can change as new information is discovered. For these reasons, we both have termination options.

We may terminate this Agreement by notice to you in writing at any time during the period between the Effective Date and 30 days following the completion of Bakery Boot Camp by the main bread company operator. No cause need be given, and the \$24,000 partial initial fee paid us at time of signing will be promptly refunded to you, without interest, once you have signed a Mutual Release and all of our confidential information (as defined in Section C15), computer and software (as provided per Section FYP 1) is returned to us. If two or more individuals on this Agreement or Guaranty Agreement attend Bakery Boot Camp but do not attend the same Bakery Boot Camp session, the 30 day termination period begins following the completion of the Bakery Boot Camp in Dillon by the main bread company.

operator on this Agreement or Guaranty Agreement

You may terminate this Agreement by notice to us in writing at any time before you open your Bread Company. We will keep \$10,000 of your initial fee. The remainder will be refunded to you, without interest, once you have signed a Mutual Release and all of our confidential information (as defined in Section C15) is returned to us. You will be allowed to keep the computer you received from us, after you have sent it to us to erase our confidential information and you promise to keep no copies, electronic or otherwise, of the information we erase.

Should this Agreement automatically terminate because the bread company is not opened within the eighteen (18) month timeline, we will keep \$10,000 of your initial fee. The remainder will be refunded to you, without interest, once you have signed a Mutual Release and all of our confidential information (as defined in Section C15) is returned to us. You will be allowed to keep the computer you received from us, after you have sent it to us to erase our confidential information and you promise to keep no copies, electronic or otherwise, of the information we erase. Should this Agreement automatically terminate before you receive the computer, we will still keep \$10,000 of your initial fee.

If not sooner terminated by other means, these First Year Promises will automatically expire one year from the day you open your Bread Company. None of the provisions of this First Year Promises section continues beyond the first year of operation.

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# OUR CONTINUING PROMISES:

## ***C1. Complete openness***

We will never have secrets from you, your employees, or any other Signed Great Harvest Insider. You may ask us any question about any aspect of Great Harvest, including our internal policies and our numbers, and expect a straight answer. We will be open with you even when our honesty will expose us to embarrassment or reveal our mistakes. This openness will extend to all business and personal relations involving you and us. The only exceptions would be (1) if we're involved in a clear-cut dispute with you or a third party and openness on our part would put us at a clear disadvantage in an adversarial situation, or (2) in a case where openness on our part would be unethical, for example, by causing us to break a promise of confidentiality or violate the privacy of any person.

## ***C2. Advice and consultation***

We will advise you at all times to the best of our ability in any matter affecting your business, always weighing such advice with the same seriousness we would give decisions in our own business. Our advice and consultation will include telephoning, distributing research and development information through the Extranet and other means. Additional learning opportunities among Signed Great Harvest Insiders may include visits, regional meetings, cross travel programs, and convention.

## ***C3. Group buying and wheat***

We will provide you with a list of approved suppliers of wheat and will define quality standards wheat suppliers must meet. We will test bake the wheat to determine if it meets our quality standards. We will also undertake to identify and appoint an approved distributor from which you can purchase ingredients and supplies directly, however, we do not guarantee that we will have a distributor appointed at all times. We will define quality and business performance standards that approved suppliers and approved distributors must meet so we can maintain a steady flow of high quality ingredients and service to all Great Harvest bread companies.

## ***C4. Great Harvest System***

Subject to the terms and conditions of this Agreement, we grant you the right to use the Great Harvest System at the Bread Company. We will determine if we wish to pursue any litigation or other proceeding that arises out of any infringement, challenge, or claim relating to any part of the Great Harvest System, and we have the right to control that litigation exclusively. We reserve the right to decide on the efforts made to respond to infringements of our Great Harvest System and will undertake what we consider to be reasonable measures to do so.

## ***C5. Territorial rights***

For each Great Harvest bread company, we grant exclusive territorial rights so that Great Harvest bread companies are located a healthy distance from each other. Once you locate acceptable premises for your Bread Company within your Search Area and sign a lease or purchase a building, we will define a "Hard Line Territory" surrounding your location. The territorial rights described in this section will apply within the Hard Line Territory.

If you are signing this Franchise Agreement to open a new store, your Hard Line Territory will preferably be defined as a circular area using your Bread Company location as the center point. The area will be the smaller of (i) a circle containing an estimated population of 300,000 people or (ii) a circle with a ten-mile radius. The minimum size of the circle radius in areas of relatively dense population will be two miles. However, should a preliminary drawing

of a circular Hard Line Territory, using your Bread Company as the center point, overlap or border any surrounding search areas, territories or area development agreements, then we may adjust your Hard Line Territory, so we are not infringing on any of our existing territory commitments. The resulting Territory may not be a circle and your Bread Company may not be in the center, but your Territory will be drawn so that your Bread Company's location is not in the outer 33% of your Hard Line Territory. The outer 33% will be defined by drawing a line that parallels the boundary of your Hard Line Territory approximately 67% of the radius from the center of your Territory. It is not the outer 33% of the area of your Hard Line Territory. We may also adjust the perimeter of the Hard Line Territory to fit available natural or jurisdictional boundaries. In the specific case where your Territory boundary is a major river or large body of water, your Bread Company may be located in the outer 33% of your Hard Line Territory if the Bread Company is located near the water. The resulting adjusted area will be your Hard Line Territory. We may revise the 33% limitation after our periodic consultation with the Franchise Agreement Board.

If you are signing this Franchise Agreement to renew or replace the Franchise Agreement of your existing Bread Company, you may keep your existing territory or accept a new Hard Line Territory that will be created with the following process: we will make a preliminary drawing of a circular territory containing an estimated population of 300,000 people or a ten-mile radius, whichever is smaller, using the existing Bread Company location as the center point. This preliminary drawing will show you the maximum potential boundaries of your territory. If this preliminary territory drawing overlaps or borders any surrounding search areas, territories or area development agreements, the boundaries of your territory will be moved closer to your Bread Company so we are not infringing on any of our existing territory commitments. This may result in a territory containing fewer than 300,000 people, but you will still have the option to keep your existing territory as it is defined in the Franchise Agreement being replaced or renewed.

If you are signing this Franchise Agreement to purchase an existing Bread Company, you will receive the Hard Line Territory of the seller. If the seller doesn't have a Hard Line Territory (some older agreements have Standard Neighbor Spacing Distances instead of Hard Line territories) then we will make a preliminary drawing of a circular territory containing an estimated population of 300,000 people or a ten-mile radius, whichever is smaller, using the existing Bread Company location as the center point. This preliminary drawing will show you the maximum potential boundaries of your territory. If this preliminary territory drawing overlaps or borders any surrounding search areas, territories or area development agreements, the boundaries of your territory will be moved closer to your Bread Company so we are not infringing on any of our existing territory commitments. This may result in a territory containing fewer than 300,000 people.

We promise that we shall not ourselves develop, or authorize third parties to develop, any Great Harvest retail business that would be located within your Hard Line Territory. We promise that the size of the Hard Line Territory and the rights you have within its boundary shall not change for the duration of your ownership of this Bread Company. The size and your territorial rights may change substantially should you transfer the ownership of this Bread Company. Great Harvest has developed and will continue to develop business expansion programs for its franchise owners, and these will be available to you if and when you qualify under the terms and conditions of these programs. Great Harvest franchise owners may expand through the development of additional bread company locations and may apply for future bread company expansion through Area Development Agreements. These expansion programs will feature their own restrictions and rights, as well as territorial rights, and are announced periodically as they may change over time.

# YOUR CONTINUING PROMISES:

## ***C6. Complete openness***

You agree to openly share your discoveries and ideas, whether big or little, with us and with any other Signed Great Harvest Insider, and never to withhold any innovation, which might help us or other Great Harvest bread company owners. You acknowledge that you completely understand, and accept, this foundation of your relationship with Great Harvest, that you are entering into a mutually beneficial free dialog with all other Signed Great Harvest Insiders, that central to this dialog is open and honest generosity in the exchange of new learning, that there is no place for score-keeping regarding who gives the best ideas to the system, or who gains more than whom, and that by signing this Agreement, you are giving your promise, along with every other Great Harvest bread company owner, that every procedure, recipe, or idea developed or discovered by you will be available to all Signed Great Harvest Insiders and becomes the property of Great Harvest Franchising, Inc. for the benefit of all Great Harvest Insiders.

## ***C7. Continuing fees***

A key component of this franchise relationship is the fact that we own a valuable piece of intellectual property, the Great Harvest System, and you pay us a monthly continuing fee to use this property. You agree to pay to us a monthly continuing fee equal to seven percent (7%) of the Gross Sales of your Bread Company, payable from the first day that bread is sold.

Over time, you may be eligible for reductions in your continuing fee, if you are in full compliance with all your obligations to us and have proven that you can remain in compliance for extended periods of time. Specifically, we require that you meet all of the following conditions:

- You are in compliance with this Agreement, and
- You have been in compliance with this Agreement for at least 180 days immediately preceding any continuing fee reduction, and
- All of the individuals whose signatures are on this Agreement or Guaranty Agreement have completed the GHU online coursework and completed the three day Sandwich School Training or the Customer Service Training at your bread company, and
- The main bread company operator completed the Bread Week Training and Bakery Boot Camp requirements specified in this Agreement.

If these conditions have not been met, then the continuing fee will not be reduced.

You are eligible for your first continuing fee reduction, to six percent (6%) of your total Gross Sales, five (5) years from the effective date of this Agreement.

You are eligible for a second reduction, to 5% of your total Gross Sales, after the 10 year term of this Agreement expires, effective upon the completion of your first renewal process. You will not receive the benefit of the lower 5% continuing fee until you complete all of the required steps in the renewal process.

You are eligible for one last reduction, to four percent (4%), once the following conditions are met. These conditions are in addition to the conditions listed above and apply only to the 4% continuing fee.

- This Bread Company has been owned by the same majority owner who has been active in the operations of the business for not less than fifteen years. (The one exception to this requirement is described in clause C20 in the paragraph titled, "If you want to sell to your kids.") We may revise this requisite period of ownership after our periodic consultation with the Franchise Agreement Board, but it will not exceed 15 years.
- You have maintained an annual gross sales level of not less than \$350,000 for either six of the previous

fifteen years or four of the last five years We may revise this requirement after our periodic consultation with the Franchise Agreement Board

- Both parties agree that the fundamental Great Harvest services, including but not limited to, use of the Great Harvest System, access to group buying and wheat, and access to the learning community will continue to be available to you Other services, which we will designate from time to time and normally make available as part of our continuing obligation to you will be made available to you for a fee

We promise that this continuing fee structure described in this section will not change, even at renewal, as long as you are the majority owner of this Bread Company If "you" are a legal entity with multiple shareholders, or a group of individuals with varying percentages of ownership, we won't increase the continuing fee when we approve a percentage change in ownership, as long as the change is between people who all signed the very first franchise agreement (or corresponding Guaranty Agreement) for this Bread Company

You agree to make these royalty payments electronically for sake of speed, accuracy, and convenience, and will cooperate with us in making all necessary banking arrangements for electronic fund transfers You agree to submit your Gross Sales figures to us by the 15th of the month following the month being reported Electronic royalty payments will be completed, by us, no later than the 25th of the month following the month for which royalties are due We will add a \$50 late charge for any payments not received by us by the 25<sup>th</sup>, and interest will accrue at 1% per month beginning the first day of the following month At our sole discretion, we may waive the late charge in certain circumstances of excessive hardship You agree to report your Gross Sales to us electronically in a format we specify, or if for any reason you cannot make an electronic submission then the report shall be on paper on a form we give you In either case, the report format may breakdown the Gross Sales figures by location, wholesale, and other off site sales

In order to support the work of the Franchise Agreement Board ("FAB"), we may assess and you agree to pay, an FAB Assessment of not more than \$100 per year, adjusted over time, after consultation with the Franchise Agreement Board, to reflect changes in the Consumer Price Index

"Gross Sales" are the amount of sales of all products, goods, services, and wares of every kind and nature, whether for cash or on a charge, credit or time basis, sold by or in connection with the operation of the Bread Company This means anything you can possibly imagine or create that benefits from customers doing business with your Great Harvest bread company Gross Sales also include all retail or off premises sales of Bread Company products and any other sales of any kind associated with the Great Harvest System or as part of your Bread Company Occasional sales of used equipment or supplies sold at less than their original cost in the normal course of maintaining the Bread Company, the sale of the Bread Company business itself, interest on cash deposits, applicable sales taxes, and any refunds or over-rings will be the only components of business income not counted as part of Gross Sales

During the term of this Agreement, any business in which you have an interest, either direct or indirect, and which benefits in any way from the goodwill and public image of the Bread Company or Great Harvest, will be construed to be a part of the Bread Company and subject to this Agreement, even if separate books or other indications of separate business enterprises are maintained A business that is adjacent to the Bread Company, and thereby benefits from foot traffic generated by the Bread Company, will not be deemed to be benefiting specifically from the goodwill of the Bread Company so long as it bears no resemblance of ownership with the Bread Company, to the extent that no uninformed third party observer could reasonably conclude on the basis of appearances that the businesses share common ownership or management

## ***C8. Audits***

We, or any agent, accountant, independent contractor, or attorney we appoint, may, at any time during business hours and upon 48 hours prior notice to you, examine, or audit the Records of the Bread Company Records, for the purpose of this section, are defined in Section C9 below If you operate as an individual, our examination of tax returns shall be limited to a review of Schedules C and E on your returns, or the comparable reporting of business revenue and expenses You agree that an inspection or audit may include any and all years when you operated a Bread Company under this, or any prior, Agreement You promise to cooperate fully with us, and with any of our agents, accountants, independent contractors, or attorneys we may hire, to conduct any inspection or audit, whether we conduct the inspection or audit in person or via mail, phone, fax, email, or other reasonable means of correspondence At our request, you agree to assemble and deliver/ship such Records, or copies thereof, to a reasonable location

designated by us, our agent, accountant, independent contractor, or attorney, within 45 days of such request

If any inspection or audit discloses an understatement of Gross Sales, you agree to pay, within fifteen (15) days after receiving the inspection or audit report, all amounts due on the amount of the understatement, plus interest at an annual rate of 12% from the date originally due until the date of payment

If an inspection or audit is necessary as a result of your failure to furnish reports, or any supporting Records, if additional or other information is required, or if an understatement of Gross Sales is greater than 2% for any period inspected or audited, you promise to reimburse us for all costs and expenses associated with conducting the inspection or audit

## ***C9. Records, Financial reporting, and tax payment***

You can choose any recordkeeping system suited to your business that clearly shows your income and expenses. During the term of this Agreement, you agree, at your expense, to maintain at the Bread Company premises and retain for a minimum of four years from the date of their preparation, full, complete and accurate books, records and documents relating to the Bread Company (the "Records"). The Records will include, but not be limited to (i) daily cash, check, and credit card reports, (ii) cash, check, and credit card receipts journal and general ledger, (iii) cash disbursements journal and weekly, bi-weekly, semi-monthly, or monthly payroll registers, (iv) monthly bank statements, canceled checks and daily deposit slips, (v) all tax returns relating to the Bread Company and you, (vi) original suppliers' invoices (paid and unpaid), (vii) dated cash register tapes (detailed and summary), (viii) annual balance sheets and monthly profit and loss statements, (ix) records of bank statements for all accounts used in the operation of Bread Company (including, but not limited to, operating, payroll, and investment accounts), and (x) such other records and information as we periodically may request. You are permitted to preserve the Records and submit reports to us electronically, consistent with our requirements.

Keep in mind, too, that you may need to keep the Records longer, for other purposes, than required by this clause. For example, your insurance company, creditors, or taxing jurisdictions, including the IRS, may require you to keep the Records longer than we do.

You agree, at least once a year, to send us basic financial statements for your Bread Company for the time period we specify, along with any other operating measures we may request from you, as long as the request is reasonable.

You shall pay us (or our subsidiary, affiliate, or designee) promptly and when due the amount of all sales taxes, uses taxes, personal property taxes and similar taxes imposed upon, required to be collected, or paid by us on the account of services or goods we furnish to you through sale, lease or otherwise, or on account of our collection of the initial franchise fee, continuing fee, or any other payments to us called for by this Agreement.

## ***C10. Funding your gift card liabilities***

We offer a national gift card program and you may choose to participate. Gift cards are issued by individual Great Harvest bread companies and redeemed either in the issuing bakery, or in another Bread Company.

If you choose to participate, you are required to have a designated bank account within which settlement of gift card transactions occurs monthly. You understand you must maintain funds in your designated bank account, at all times, sufficient to fund all redemptions of gift cards issued by your Bread Company, including any associated fees of the gift card program. If, at any time, you do not have sufficient funds to cover redemptions of gift cards issued by your Bread Company, together with any associated fees, you are responsible for reimbursement to us for any deficiency, within 10 days of notice by us. Upon the third such occurrence within a 24-month period, you agree to (i) pay us, within 20 days notice, an amount equal to 100% of your outstanding gift card liabilities in exchange for our acceptance of 100% of your outstanding gift card liabilities, (ii) stop selling gift cards from your store, and (iii) continue redemption of all gift cards presented to your store, for which you'll receive payment through the national program's monthly settlement.

## ***C11. Insurance***

You will maintain, at your own expense, adequate insurance coverage for your specific business in an amount not less than \$1,000,000. This insurance should cover all types of general liability, including product liability. All insurance will be with accredited companies and will include Great Harvest Franchising, Inc. and its shareholders, officers, and directors as additional insureds. You will also maintain workers' compensation insurance required by law and property insurance in appropriate amounts to cover the Bread Company's premises. At our request, you will

furnish us a copy of your policy. In the event that you operate an additional location, you will expand the above coverage to include that location.

## ***C12. Group buying and wheat***

Wheat is critical to bread quality, and the specification and sourcing of wheat are critical to the success of Great Harvest bread companies. Because of this, you agree to purchase 100% of the wheat used in your Bread Company from the Great Harvest approved suppliers. We will undertake to appoint an approved distributor from which you can purchase ingredients and supplies directly, however, you are under no obligation to purchase from this distributor. You also agree that all whole wheat flour shall be freshly milled daily, on premises, by you or your staff, using wheat shipped from a Great Harvest approved supplier. You may request a waiver to mill off-premises, but waivers are only granted in writing and on rare occasion. No whole wheat flour shall be used in your bread company to make baked products on-site if older than four (4) days from the date of milling. In addition, you agree not to sell more than three bushels per month of Great Harvest wheat to the same customer.

## ***C13. Building a brand***

You acknowledge that we own the trademarks as part of the Great Harvest System and the goodwill associated with them, that the trademarks form a valuable part of the Great Harvest System, that the trademarks are valid, that you won't contest their validity, and that any goodwill arising out of your use of the System will inure to our benefit. To protect the integrity of the trademarks, you will conform to all of the use guidelines and restrictions laid out in this Agreement or provided by us in writing. Any unauthorized use of the trademarks by you will be a breach of the Agreement and an infringement of our rights associated with the trademarks. You recognize our right to use the Great Harvest System and to grant others the right to use the Great Harvest System. Your use of the Great Harvest System will not entitle you to any title or property interest in it.

Except to the extent required by law, you will operate the Bread Company only under the name "*Great Harvest Bread Co.*," without any accompanying words or symbols. You will not use any of the Great Harvest trademarks (including the name *Great Harvest Bread Co.*) or the words "Great" and "Harvest" in your entity's name, if you form a separate entity, or (except as provided below) as part of any domain name or electronic address that you maintain on the Internet, World Wide Web, or any other similar proprietary or common carrier electronic delivery system. We will grant you our permission to use our trademarks in the domain names or electronic addresses referenced here as long as you are in compliance with the Great Harvest Web Standards. We will review this policy and the Great Harvest Web Standards from time to time and may make adjustments that we consider appropriate. You also agree to follow the Great Harvest Web Standards when displaying or using any of the Great Harvest trademarks in any Website, homepage, or interactive site you maintain on the Internet, World Wide Web, or any other similar proprietary or common carrier electronic delivery system. You will comply with reasonable requirements regarding service mark, trademark, or trade name registrations and copyright notices which we may from time to time prescribe. You will indicate in any records, documents or relationships with other persons that the operation of your business is separate and distinct from the operation of our business. You will not use any of the Great Harvest trademarks in advertising the transfer, sale, or other disposition of your Bread Company or an ownership interest in you or the Bread Company without our prior written permission. Recognizing that diligent protection of the Great Harvest System is of central importance to the franchise relationship, you agree to notify us immediately of any possible infringement of or challenge to the trademarks of which you become aware.



### *SIGNAGE AND PRINTED MATERIALS*

You promise to use one of the accepted forms of the logo, including the prescribed colors, lettering, and proportions, exactly as defined in our then-current graphic policy, and you agree to withdraw any written, printed or on-line materials which we feel display an incorrect use of our logo. If you are uncertain about any of your materials that reproduce one of the trademarks, you should check with us before those materials are printed for distribution, since even the most seemingly insignificant alteration of the trademarks can have importance to their protection, and withdrawing large print jobs which are done incorrectly can be very expensive for you. Should the logo change during the course of this Agreement, you agree to change all applications and displays of the logo to its revised form immediately as old materials are used up and new materials are ordered. You shall bear all costs incurred to make the changeover of the new logo. In no circumstances will you be required to purchase new exterior signs to accommodate a change in the logo design. We may require the purchase of new signage by a purchaser if you propose to transfer your Bread Company.

Should you wish to order a new exterior sign at any time, or purchase an existing one from a Great Harvest owner, you agree to send us a sketch or picture of the sign and receive our prior written approval.

### *PRODUCTS DISPLAYING THE TRADEMARKS*

We may approve in writing specific non-bread food products and other products for sale in your Bread Company displaying one or more of the Great Harvest trademarks. All such products must meet our highest standards of quality, and their selection is in our sole discretion. Display of our trademarks, including the design of any product labels or packaging, is subject to our review and approval. We reserve the right to disapprove any product that has received our approval and remove it from products that may be sold in your Bread Company.

### *BREAD COMPANY APPEARANCE AND OPERATIONS*

You agree to maintain the highest standards of product quality, cleanliness, and customer service at your Bread Company. In order to assist you in maintaining these standards we may develop and conduct compliance programs, such as customer surveys, food safety programs, inspections, and "secret shopper" programs. You agree to participate in good faith in these compliance programs and shall maintain no less than the minimum acceptable approval rating set forth in our written policies. The criteria for determining this rating, as well as the specific rating required for minimum acceptance, may be modified for all franchisees at our sole discretion.

### *HONEY ONLY IN HONEY WHOLE WHEAT BREAD*

You agree to use 100% honey as the only sweetener in Honey Whole Wheat and Honey Wheat bread.

## ***C14. Franchise promotion***

You agree to prominently display to customers, at all times, upon our request, materials provided by us at our expense to promote the franchise. Such materials may include multi-page brochures, padded single sheets, and/or a countertop or wall mounted sign.

You also agree to put a link to our web site on any web site you maintain for your Bread Company. As long as you are in compliance with our current web standards, we agree to put a link to your Bread Company's site on our public web site.

## ***C15. Confidentiality***

You acknowledge that you came to us and paid us money to teach you everything we know about bread and bakeries. This know-how is for the exclusive use of Great Harvest Insiders, it is the very heart of our business. In acknowledgment of this central fact you promise that you will protect this valuable and confidential information.

## *CONFIDENTIALITY*

You promise not to use Great Harvest System for any purpose whatsoever, except as subject to the terms and conditions of this or another Great Harvest Agreement at any time during or after the term of this Agreement. For the purposes of this Agreement, the Great Harvest System includes all trademarks, signs, symbols, copyright materials and associated trade slogans and any proprietary aspect of the operation of Great Harvest Franchising, Inc. or a Great Harvest bread company, including all recipes and their related measurements, all bread making processes, techniques, skills, temperatures, and timing, all baking forms and systems, all details of Great Harvest bread making theory or practice, oven systems, ingredient standards, wheat standards, ingredient supplier lists, wheat suppliers, equipment standards, special uses of equipment not commonly known outside Great Harvest, and equipment supplier lists, all details of Great Harvest's unique breadboard theories and practices and breadboard training rules, all details of Great Harvest's unique Bread Company management theories and practices, training methods, and Bread Company promotion training methods, all Bread Company management forms and systems and build-out specifications, all details of Great Harvest's location hunting theory or practice, location search information, and tracking information and systems, all details of Great Harvest's unique franchising theories and practices, all secrets for achieving high Gross Sales in new Bread Companies, all proprietary aspects of our sandwich and coffee programs, all proprietary newsletters, audio/visual training tools, Breadboard content, the Confidential Start-up Kit, and First Year Guidelines, the candidates list, all candidate information, and all proprietary internal personnel practices, and any other information or materials arising from Great Harvest related to the art of bread making, the operation of a Great Harvest bread company, the internal operation of Great Harvest Franchising, Inc., or the training and franchising of the Great Harvest System to Great Harvest bread company owners.

## *CONFIDENTIALITY & NON-COMPETE AGREEMENTS*

You recognize that the Great Harvest System is an innovation which is the result of years of development and that use of any or all of the Great Harvest System by any other persons or firms would give them a substantial competitive advantage now enjoyed by Great Harvest bread company owners. Therefore, you agree not to hire or have in your employment anyone who does not sign a Confidentiality & Non-compete Agreement provided by us and not to disclose the Great Harvest System or any of its parts to any person or firm who is not a "Signed Great Harvest Insider," in strict accordance with the following definition: (1) any Bread Company owner or partner whose signature is on an effective Great Harvest Franchise Agreement or Guaranty Agreement, (2) any employee of Great Harvest Franchising, Inc., or (3) any employee of any Great Harvest bread company whose signature is on an effective Confidentiality and Non-Competition Agreement provided by us. These three categories of persons are the only possible Signed Great Harvest Insiders, excluded from insider status would be all close family of Great Harvest owners and employees, all Great Harvest suppliers or subcontractors, and all former Great Harvest owners and employees.

Earlier in this Agreement, we promised complete openness to you and your employees, you in turn promised complete openness to us and all other signed Great Harvest Insiders. These mutual promises of openness by everyone in our system make Great Harvest quick, resilient, and strong. But at the same time that you are promising openness toward all Insiders, you are promising closure – confidentiality – toward all outsiders. It is essential that everyone in Great Harvest understand and maintain this hard line between openness and confidentiality, between insider and outsider. It is the very essence of what you are buying when you enter into this Agreement.

## *EXTRANET PASSWORDS*

We have created on the Internet a web site for the exclusive use of Great Harvest bread company owners and other Signed Great Harvest Insiders. Use of this "Extranet" site is available to those who sign an appropriate agreement pertaining to the confidential information posted on the site, and receive a password. You promise to take steps to assure that no one in your organization has access to any password granting access to the site unless that person has signed the appropriate Confidentiality and Non-Competition Agreement. In the event that an employee with a password leaves your employment, you promise to promptly advise us of the change so that we can remove the password.

## ***C16. In-term Non-competition***

You acknowledge that you came to us and paid us money to teach you everything we know about bread and bakeries. This know-how is for the exclusive use of Great Harvest Insiders, it is the very heart of our business. In acknowledgment of this central fact you promise that you won't compete directly against us during the term of this Agreement, as defined below.

### ***NON-COMPETE***

In consideration of your use of the Great Harvest System and your receipt of training in all aspects of the operation of a Great Harvest bread company, you and any persons controlling, controlled by, or under common control with you, or any person or entity which has an ownership interest in you, or any entity which you control in whole or in part or in which you have an ownership interest, or the spouse or other immediate family members of any such persons so referenced, will not, without our prior written consent, have any direct or indirect interest in the ownership or operation of, or perform services as a director, officer, employee, trainer, advisor, or consultant for any business that competes (as defined below) with Great Harvest and is not authorized by another Great Harvest Franchise Agreement. This restriction shall apply to all competing businesses that are within a ten (10) mile radius of (a) any part of your Search Area (if your Bread Company is not open), or (b) your Bread Company location (if your Bread Company is open). This restriction shall also apply to all competing businesses that are within a ten (10) mile radius of any other Great Harvest bread company locations that are already open as of the Effective Date of this Agreement. A list of such current locations is attached as Exhibit A. This covenant will apply during the term of this Agreement. A business that competes with Great Harvest, for the purposes of this Agreement, will be defined as a business that does any of the following things:

- produces, sells, or has for sale more than four (4) varieties of bread made with whole wheat flour on any given day, or
- targets and/or tracks temperatures of dough used in any multi-stage dough making process, or
- uses any forms or other methods of recording data in its business that function substantially the same as those used in a Great Harvest operation, or
- makes or sells products using fresh milled flour of any type, or
- measures the internal temperature of baked breads, or
- uses any of the bread names or names of items used in promotion campaigns that you have used or are using during this term of this Agreement. For example, if you have sold a bread called "Oregon Herb" or run a promotion featuring "Honey Bunnies," you may not use these names or confusingly similar names even if the products differ and whether or not the names are trademarks of Great Harvest, or
- times the mixing process, or
- uses a multi-stage process of preparing doughs where the time from combining any ingredients together until the time when loaves are placed on the pan for baking is within 1.5 hours (longer or shorter) from the times you are using or have used during the term of this Agreement, or
- maintains a store or website look or feel similar enough to your Great Harvest operation to be confusing to customers as to whether or not it is a part of the Great Harvest system, or
- uses the words Great or Harvest in its legal name or trade name, or
- represents itself as formerly or currently associated with *Great Harvest Bread Co*

The following definitions will apply to this restriction. "bread" means any leavened baked product made from flour, "flour" means any milled grain, "fresh milled flour" means any flour milled at the location of the business or milled within a ten-mile radius of the business unless such milling is done by a commercial milling operation not related to your Great Harvest bread company in any way other than customer and supplier, "whole wheat flour" means any flour containing wheat, except white flour, and "white flour" means any flour purchased through commercial bakery supply channels, labeled as white flour in the trade, and with all bran and germ removed to the fullest extent commercially feasible.

In order to verify compliance, you agree to allow us to conduct on-site inspections of any business of yours that makes or sells bread products. You agree that during an inspection of this sort, we may observe all aspects of your

business operation, including any bread making techniques or processes, any recipes and any printed forms used in your business. If you are in compliance with the obligations of this Agreement, we agree that we will conduct no more than two inspections per year, per business location, during the term of this Agreement.

If this provision is not fully enforceable in any jurisdiction, then the parties agree that Great Harvest shall have the right to revise the provision so that it contains a commercially reasonable limitation which is enforceable in that jurisdiction. If a court determines that either the original provision or any subsequently revised provision is not fully enforceable under applicable law, then the parties agree that the court shall have the right to revise it so that it contains a commercially reasonable limitation which is enforceable in that jurisdiction, it being the intention of the parties to enforce to the full extent of the law the restrictions on competitive activity contained in this Agreement.

The parties agree that it is difficult or impossible to quantify the damage to Great Harvest which would be caused by a violation of the non-competition covenant. Therefore, you agree that if a dispute arises regarding your compliance with the covenant, in addition to any other remedies which might be available, including but not limited to actual damages caused by your breach, Great Harvest shall be entitled to receive from you an amount equal to the maximum continuing fee based on your competing business' total Gross Sales, as defined in Section C7, during all periods when you are not in full compliance with this covenant. This fee is not a penalty, but represents a good faith effort to estimate future damages. Setting the liquidated damages in such a manner shall not constitute consent to further breach or waive the right to injunctive relief.

#### *TRADEMARKS*

You promise not to use the Great Harvest trademarks or any names or elements of interior or exterior Great Harvest signs or decor in connection with the operation of any business except as permitted by this or another Great Harvest Franchise Agreement or otherwise in writing by us, at any time during the term of this Agreement.

#### *EMPLOYEES*

You promise not to hire or attempt to hire any employee of Great Harvest Franchising, Inc. or any employee, manager, or partner of a Great Harvest bread company, or assist in such hiring by anyone else, or encourage any employee to terminate his or her employment with Great Harvest Franchising, Inc. or any Great Harvest bread company, at any time during the term of this agreement.

### ***C17. Post-term Non-competition***

You acknowledge that you came to us and paid us money to teach you everything we know about bread and bakeries. This know-how is for the exclusive use of Great Harvest Insiders, it is the very heart of our business. In acknowledgment of this central fact you promise that you won't compete directly against us after the term of this Agreement, as defined below.

#### *NON-COMPETE*

In consideration of your use of the Great Harvest System and your receipt of training in all aspects of the operation of a Great Harvest bread company, you and any persons controlling, controlled by, or under common control with you, or any person or entity which has an ownership interest in you, or any entity which you control in whole or in part or in which you have an ownership interest, or the spouse or other immediate family members of any such persons so referenced, will not, without our prior written consent, have any direct or indirect interest in the ownership or operation of, or perform services as a director, officer, employee, trainer, advisor, or consultant for any business that competes (as defined below) with Great Harvest and is not authorized by another Great Harvest Franchise Agreement. This restriction shall apply to all competing businesses that are within a ten (10) mile radius of (a) any part of your Search Area (if your Bread Company is not open), or (b) your Bread Company location (if your Bread Company is open). This restriction shall also apply to all competing businesses that are within a ten (10) mile radius of any other Great Harvest bread company locations that were already open as of the Effective Date of this Agreement. A list of the Great Harvest bread company locations that were open as of the Effective Date of this Agreement is attached as Exhibit A. This covenant will apply for a period of two years beginning on the effective date of the termination or

expiration of this Agreement. If any person restricted by this section refuses voluntarily to comply with these obligations, the two-year period for that person will commence with the entry of a court order enforcing this provision. The two-year period will be tolled, if applicable, for the period during which a restricted person is in breach of this section and will resume when that person resumes compliance. A business that competes with Great Harvest, for the purposes of this Agreement, will be defined as a business that does any of the following things:

- produces, sells, or has for sale more than four (4) varieties of bread made with whole wheat flour on any given day, or
- targets and/or tracks temperatures of dough used in any multi-stage dough making process, or
- uses any forms or other methods of recording data in its business that function substantially the same as those used in a Great Harvest operation, or
- makes or sells products using fresh milled flour of any type, or
- measures the internal temperature of baked breads, or
- uses any of the bread names or names of items used in promotion campaigns that you had used while part of Great Harvest. For instance, if you had been selling a bread called "Oregon Herb" or running a promotion featuring "Honey Bunnies" while part of Great Harvest, you may not use these names or confusingly similar names again even if the products differ and whether or not the names are trademarks of Great Harvest, or
- times the mixing process, or
- uses a multi-stage process of preparing doughs where the time from combining any ingredients together until the time when loaves are placed on the pan for baking is within 1.5 hours (longer or shorter) from the times you were using when you were part of Great Harvest, or
- maintains a store or website look or feel similar enough to your Great Harvest operation to be confusing to customers as to whether or not it is a part of the Great Harvest system, or
- uses the words Great or Harvest in its legal name or trade name, or
- represents itself as formerly a *Great Harvest Bread Co*

The following definitions will apply to this restriction: "bread" means any leavened baked product made from flour, "flour" means any milled grain, "fresh milled flour" means any flour milled at the location of the business or milled within a ten-mile radius of the business unless such milling is done by a commercial milling operation not related to your Great Harvest bread company in any way other than customer and supplier, "whole wheat flour" means any flour containing wheat, except white flour, and "white flour" means any flour purchased through commercial bakery supply channels, labeled as white flour in the trade, and with all bran and germ removed to the fullest extent commercially feasible.

In order to verify compliance, you agree to allow us to conduct on-site inspections of any business of yours that makes or sells bread products. You agree that during an inspection of this sort, we may observe all aspects of your business operation, including any bread making techniques or processes, any recipes and any printed forms used in your business. If you are in compliance with the obligations of this Agreement, we agree that we will conduct no more than two inspections per year, per business location, for a period of two years from the date of the termination or expiration of this Agreement.

If this provision is not fully enforceable in any jurisdiction, then the parties agree that Great Harvest shall have the right to revise the provision so that it contains a commercially reasonable limitation which is enforceable in that jurisdiction. If a court determines that either the original provision or any subsequently revised provision is not fully enforceable under applicable law, then the parties agree that the court shall have the right to revise it so that it contains a commercially reasonable limitation which is enforceable in that jurisdiction, it being the intention of the parties to enforce to the full extent of the law the restrictions on competitive activity contained in this Agreement.

The parties agree that it is difficult or impossible to quantify the damage to Great Harvest which would be caused by a violation of the non-competition covenant. Therefore, you agree that if a dispute arises regarding your compliance with the covenant, in addition to any other remedies which might be available, including but not limited to actual damages caused by your breach, Great Harvest shall be entitled to receive from you an amount equal to the maximum continuing fee based on your total Gross Sales as defined in Section C7 during all periods after your termination and up to the time you're determined to be in full compliance with this covenant. This fee is not a penalty, but represents a good faith effort to estimate future damages. Setting the liquidated damages in such a manner shall not constitute

consent to further breach or waive the right to injunctive relief

### **TRADEMARKS**

You promise not to use the Great Harvest trademarks or any names or elements of interior or exterior Great Harvest signs or decor in connection with the operation of any business except as permitted by this or another Great Harvest Franchise Agreement or otherwise in writing by us, at any time after the term of this Agreement. Upon expiration or termination, you will immediately cease to use or display any portion of the Great Harvest System or any confusingly similar names, trademarks, signs, symbols, processes, or methods. Also, you agree to permit our representatives to enter the Bread Company to remove or permanently cover any items which in any way indicate an association with us.

### **EMPLOYEES**

You promise not to hire or attempt to hire any employee of Great Harvest Franchising, Inc. or any employee, manager, or partner of a Great Harvest bread company, or assist in such hiring by anyone else, or encourage any employee to terminate his or her employment with Great Harvest Franchising, Inc. or any Great Harvest bread company, after the termination, expiration, or transfer of this Agreement, for a period of two years.

## ***C18. Limited off-premises product sales***

In order to protect Great Harvest's reputation for hot bread sold from strong, exciting bread companies, you agree to follow our policy limiting off-premises product sales. Off-premises product sales shall include, but are not limited to, wholesale accounts, farmers markets, sales made using the Internet, and any mail-order business.

You agree not to knowingly wholesale your baked products to outlets located within another bread company's territory. You agree to limit your off-premises sales of baked products only to wholesale accounts that sell the products with a Great Harvest label and meet the following category descriptions: farmer's markets, restaurants, co-operatives, specialty foods retailers, and other retailers that offer their products in a specialty retail environment. Examples of such acceptable specialty retailers include Whole Foods, Wild Oats, and Fresh Fields. You agree that you will not establish wholesale accounts that meet the following category descriptions: conventional grocery stores (such as Kroegers, Safeway, Albertsons, and Harris Teeter), convenience stores, discount clubs and discount outlets (such as Sam's Club, and Wal-Mart). We may agree to permit a wholesale account with a conventional grocery store if there are no acceptable specialty retailers in your territory, and you make arrangements to confirm with the grocery store that your product will not be sold through other grocery stores in the chain outside of your territory.

All off-premises product sales must be listed separately for purposes of monthly Gross Sales reporting.

Mail-order sales present a special case. Any mail-order sale greater than 10 loaves per month to a single address is considered the same as wholesale and prohibited inside another owner's restricted area. However, it is too much to expect other Great Harvest bread companies to turn down former customers or others who would like to buy their bread on a less-than-10-loaves per month basis, and this type of mail-order is unrestricted in the Great Harvest franchise system.

We reserve the right to establish an Internet website for the sale of bread, baked products, and other items related to the Great Harvest System. We will make reasonable efforts to assure that sales to customers in your territory are fulfilled by you, if you choose to participate. If you choose not to participate in such an electronic commerce program, sales to Internet customers in your territory may be fulfilled by other franchisees.

In the event that territorial rights are granted to a third party which cause any of your currently active off-premises sales activity to fall within another franchisee's territory, you will have the continuing right to service this sales account or sales activity at the sales level achieved prior to the new territorial rights being granted. We will do our best to make each new Bread Company owner aware of a pre-existing activity in her territory (to the extent that we are aware of them ourselves) by listing the specific sites prior to her signing a binding document. In return, you agree to allow any pre-existing activity to continue in your territory.

The following specific sites within your territory are known to be pre-existing, current and continuously active:

off-premises product sales by another Great Harvest bread company

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Other qualified sites may be determined pre-existing under this Agreement if their age and validity can be proven

## **ADDITIONAL CLAUSES:**

### ***C19. Term***

The term of this Agreement is ten years and in the absence of a termination for cause, initiated by either party, or a termination pursuant to Section FYP 11 of this Agreement, the length of the term cannot be altered without the express written agreement of the parties

### ***C20. Expansion -- Additional bread companies***

If you want to open an additional location, you will follow our then-current application process and, if approved, sign the then-current franchise agreement

If approved for expansion, the new agreement you sign will be the franchise agreement being signed by new Bread Company owners at that time, and may be substantially different from this Agreement. The initial fee for additional bread companies will be less than the then-current initial fee for first time locations

The continuing fee for additional bread companies located outside your Hard Line Territory described in this Agreement will begin at one percentage point below the then-current continuing fee for first time locations. The continuing fee may reduce over time depending on our then-current policies

The continuing fee for additional bread companies located inside your Hard Line Territory described in this Agreement will be the same as the continuing fee for the Bread Company covered by this Agreement, or one percentage point below the then-current continuing fee for first time locations, whichever is lower. The continuing fee may reduce over time depending on our then-current policies

Opening an additional bread company, signing a lease, or purchasing a building for a Great Harvest bread company any place other than your original location, without a new Franchise Agreement executed by us, is a default of this Agreement. Approval to establish an additional bread company is not guaranteed under this Agreement

### ***C21. Expansion -- Area Development Agreements***

Great Harvest has developed an expansion program by which franchise owners may apply to develop bread companies in new territories through the use of an Area Development Agreement ("ADA"). Once you have a signed Franchise Agreement, you are eligible to apply for an ADA and must follow the then-current application and screening process to acquire these development rights. We reserve the right to determine the fee you must pay to purchase an ADA, which will be less than the initial fee for first locations. Once an ADA has been executed, you will have a defined period of time in which to apply for and sign the standard Franchise Agreement then being offered, which may be substantially different from this Agreement

### ***C22. Moving***

To move your Bread Company, you need to obtain our prior permission in writing as an attachment and amendment to this Agreement. Also, to move your Bread Company, you must, as a condition of our approval to the move, first agree to the new territory definition and sign, date and return all the proper and necessary documents. If you propose moving within your current territory to a location that is not located in the outer 33% of your Hard Line Territory (per Section C5), our permission will not be unreasonably withheld, but we may require a location hunt at

our expense. If you propose moving to any other location, you will follow our then-current application process. Approval to move is not guaranteed under this Agreement. We require you have your new location open within three months of closing your original location, unless further extended by us in writing.

### ***C23. Selling your Bread Company***

We have an interest in who is in the Great Harvest family. We chose you because of your character, experience, attitude and financial capacity. Accordingly, if you want to sell or transfer any part of this Agreement, the franchised business, or the Bread Company's assets, the sale or transfer is subject to our approval. None of your owners may sell or transfer an ownership interest in you (if you are a corporation or other legal entity) without our approval. We will not unreasonably withhold our approval. Some of the things we'll be looking for follow:

- You are in full compliance with all the terms and conditions of the Franchise Agreement and any other agreement with us.
- You have paid in full all monies owed to us. All other liabilities of yours, including debts and obligations to suppliers, employees, landlords, taxing authorities, etc. are paid in full or otherwise taken care of to our reasonable satisfaction.
- The purchaser or transferee meets the qualifications we then require of new Great Harvest bread company owners.
- The purchaser or transferee meets our financial requirements of transfer candidates. You agree to give us information we request concerning the proposed transfer and transferee, including but not limited to the terms of the sale and up-to-date and accurate financial statements from the Bread Company itself. We will be looking in particular for whether the candidate can afford the agreed upon price and whether the Bread Company can support any debt taken on by the candidate.
- The purchaser or transferee must sign the then-current form of the Franchise Agreement which will include the then-current territory definition. You and we acknowledge that this new agreement may contain terms and conditions substantially different than those in this Agreement. However, we promise that the continuing fee for the transferee will be the same as the Continuing Fee you are paying at the time of transfer, as long as you are not paying 4%. If you are paying 4% at the time of transfer, the transferee will pay 5% for at least fifteen years and until the transferee meets all requirements set forth in her own franchise agreement for reduction to 4%. This requisite period of ownership may be revised after periodic consultation with the Franchise Agreement Board. The standard form Great Harvest Franchise Agreement presented to your transferee will be the most recent version reviewed and approved by the Franchise Agreement Board, which is an elected board of franchisees. If the purchaser or transferee is an existing Bread Company Owner on a current Franchise Agreement with a continuing fee of "six percent" (6%) and the seller's continuing fee is "six percent" (6%) or "seven percent" (7%) at the time of the sale, then the purchaser or transferee's continuing fee for the Great Harvest bread company being purchased will be "six percent" (6%) for ten (10) years from the time of the transfer. The purchaser or transferee is eligible for continuing fee reductions as set forth in Section C7 Continuing fees.
- Your signage is approved by us according to our then-current standards. If not approved, you agree to notify the buyer that they will need to be in compliance soon after signing their new Franchise Agreement.
- You agree to notify the transferee of the required, non-refundable transfer fee, which will not exceed 50% of our then current initial franchise fee. We will incorporate this transfer fee into the new Franchise Agreement to be signed by the transferee.
- The transferee completes to our satisfaction the application process and training then required for transfer candidates. You agree to sign a Mutual General Release of all claims you and we may have against one another.
- If the transferee is a corporation, limited liability company, or other legal entity, the owners of the entity must personally guarantee the entity's obligations under the Franchise Agreement and must comply with any other policies then in effect for such entities.
- The transferee or its owners or affiliates may not operate or have an ownership interest in a competitive business.



- The transferee fully assumes your liabilities for all outstanding gift cards, gift certificates and other customer offers that may still be redeemed after the transfer of ownership. You and the transferee reach a satisfactory settlement arrangement for the assumption of these liabilities. (We shall have no obligation for such liabilities unless you have paid us to assume the liability per Section C10.)
- You agree to disclose to the transferee the domain name(s) or name(s) for any interactive site you maintain on the Internet or any other similar proprietary or common carrier electronic delivery system used in connection with the operation of the Bread Company (the "Domain Names") and whether the Domain Name(s) is included in the transfer of ownership of the Bread Company. If the transferee does not want the Domain Name(s), it may be transferred to us per Section C26.
- If you, and all of your shareholders and/or members if you are a legal entity, are not continuing to be a Bread Company owner with an effective Franchise Agreement, and the Domain Name(s) includes any of the Great Harvest trademarks (including the name *Great Harvest Bread Co.*) or either of the words "Great" or "Harvest," (the "Trademark Domain Names"), you agree to approve and not to interfere with all transfers the transferee initiates for the Trademark Domain Name(s) and to take all other action we request to transfer ownership and use of the Trademark Domain Name(s) to the transferee. You may not charge us or the transferee any additional fees (other than the bakery sales price) for your compliance with this clause. If the transferee does not want the Trademark Domain Name(s), it may be transferred to us per Section C26.
- Your Bread Company is open.

#### *IF YOU WANT TO SELL TO YOUR KIDS*

In this special case, the process, training and requirements described in this section still apply, but we will not charge a transfer fee or increase the continuing fee from four percent to five percent if your kid(s) have worked in this Bread Company for at least one year. If your kid(s) have worked in this Bread Company for at least ten years, they can drop to a four percent continuing fee on the same date you would have dropped to four percent had you not transferred this Bread Company to your kid(s).

#### *IF YOU DIE*

In the event of the death or disability of an individual Bread Company owner or the shareholder or partner of the Bread Company owner, we will not unreasonably withhold our approval of the transfer of that person's interest to his or her heirs or beneficiaries, provided all the conditions of this Agreement for transfer have been met. In the event that such heirs or beneficiaries do not obtain our approval, the estate or guardian will have a reasonable time, not to exceed twelve (12) months, to dispose of his or her interest in this Agreement or the franchisee's entity for the benefit of that person's heirs or beneficiaries, according to all the transfer terms and conditions in this Agreement.

#### *IF YOU DIVORCE*

In the event that the proposed transfer is the result of a divorce, an entity dissolution proceeding, or operation of law, we will not unreasonably withhold our approval, provided all of the transfer requirements listed in the Agreement are met.

#### *IF YOU WANT TO CREATE A CORPORATION*

As long as you are in full compliance with this Agreement (including all conditions of transfer contained in the Agreement) we will not unreasonably withhold our approval of a transfer of this Agreement to a corporation, limited liability company, partnership or other form of legal entity you have formed for the convenience of ownership. Such a transfer will not relieve you of your obligations in the Agreement, and you will remain jointly and severally liable to us for all of your legal entity's obligations under this Agreement. Any such transfer will be subject to reasonable restriction, including but not limited to the following:

- You must own all of the voting stock of the corporation or other forms of ownership interest in the entity.
- The entity must be limited in its organizational documents to the operation of one or more Great Harvest bread companies, and it must execute all documents necessary to assume the obligations of the Franchise Agreement.

- The entity must comply with all of the terms and conditions in this Agreement, and must be in good standing under the laws of the state of its formation
- The entity's organizational documents, operating agreement, or partnership agreement, as well as any stock certificates and other documents representing ownership interest, must state that the transfer of any ownership interest in the entity may be restricted by the terms of this Franchise Agreement
- The owners of the entity must sign a personal guarantee of the obligations of the entity under this Agreement. At our request, you will furnish us with copies of the entity's Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, and other organizational documents
- You can not use any of the Great Harvest trademarks (including the name *Great Harvest Bread Co*) or the words "Great" and "Harvest" in your entity's name

#### *PAPERWORK*

Any sale or transfer allowed by this Agreement will not be effective until we receive completely executed copies of all transfer documents, receive all required fees, and give our approval in writing. You will also, upon our request, send us copies of the information you give to a prospective transferee. If we believe the buyer is receiving inaccurate information, we will first discuss this with you and then share our concerns and any information you have submitted to us with the prospective transferee.

Any sale or transfer not in accordance with this Agreement will be considered null and void and will constitute a material breach of this Agreement.

### ***C24. Renewal***

You may renew your franchise if all of the following conditions are met:

- (1) As of the renewal date, you are not in default of this Agreement.
- (2) You sign the standard form of Great Harvest Franchise Agreement and Guaranty Agreement then being executed by new Bread Company owners on or before the renewal date. The new Agreement may be substantially different from this Agreement, provided, however, that the territory rights set forth in Section C5, and the continuing fee rate structure set forth in Section C7 shall remain the same for as long as you continue to be the majority owner of the Bread Company. The standard form Great Harvest Franchise Agreement presented to you at renewal will be the most recent version reviewed and approved by the Franchise Agreement Board which is an elected board of franchisees.
- (3) You sign a Mutual General Release Agreement.
- (4) You follow our then-current policy regarding the franchise renewal process. We will send you our franchise renewal materials prior to your expiration date.

We will notify you of your option to renew at least 120 days prior to the expiration of this agreement. If you don't complete the renewal process prior to the expiration date of this Agreement, we will agree to one 90 day extension of this Agreement in order for you to complete the renewal process, provided that you pay us a non-refundable Renewal Extension Fee of \$3,000 before the expiration date. If you do not pay the Renewal Extension Fee prior to the expiration date, this Agreement will expire on its expiration date and won't be renewed. Under no circumstances will the time extension of the term of this Agreement exceed 90 days.

### ***C25. Material Breach***

You agree that if any of the following events happen, they will constitute a material breach of this Agreement and violate the essence of your obligations, thus, without prejudice to any other rights or remedies at law or in equity, we may terminate this Agreement if you

- Are convicted of or plead no contest to a felony, or are convicted of or plead no contest to any other crime or offense or engage in conduct that is likely to adversely affect the reputation of the Bread Company and the goodwill associated with the Great Harvest System, or
- Use or disclose any of our Great Harvest System without our permission, or
- Don't pay us royalties or other payments owed us If you fail to pay money you owe us as spelled out in this Agreement or in other letters of agreement between you and us, we will send you a letter that will give you thirty (30) days to make full payment unless it is your third such failure to pay within a twelve month period in which case we may terminate without providing a letter and thirty (30) day right to cure, or
- Become bankrupt or subject to any chapter of the United States Bankruptcy Code Or become insolvent, or have a receiver appointed to take possession of all or part of your business or property Or make a general assignment for the benefit of creditors Or be the object of a judgment which remains unsatisfied for a period of more than 30 days after all rights of appeal have expired or been exhausted, or
- Don't pay money owed to third parties, including supply vendors, where the failure to pay would, in our reasonable opinion, adversely affect the reputation of the Great Harvest System, or
- Default on a Bread Company lease or sublease and fail to cure the default within the time period specified in the lease or sublease, or
- Are closed by order of government authorities for failure to comply with applicable laws, ordinances, or regulations, or in the case of health, safety, or sanitation violations, if you fail to cure such problem within 72 hours of your receipt of written notice of the problem, or
- Open a Great Harvest location without our prior written permission, or
- Lie to us by misrepresenting any material fact in writing, or
- Abandon your store, or surrender or transfer control of that store or any of the rights or obligations laid out in this agreement to someone else without first getting our written permission For the purposes of this agreement, abandonment is defined as any closure of your Bread Company where you don't make substantial and continuing efforts to reopen the Bread Company as soon as possible This does not include vacations where you will prominently post prior notice to the public of your closing and where you will post a specific and reasonable date when the Bread Company will reopen or
- Breach this Agreement, including the payment obligations, 3 times during a twelve month period, whether the breach is subsequently cured or not, or
- Intentionally understate Gross Sales reported to us, or
- Purchase less than 100% of the wheat used in your Bread Company from the Great Harvest approved suppliers

Both parties agree that it's desirable to minimize closures of Great Harvest bread companies because it harms the perception of the brand for bakery customers and buyers of new and existing bread companies In order for us to have some power to facilitate a transition in the event of a likely closure, you agree that if we have notified you in writing of a default that is curable under this Agreement, and you fail to give us written notice within seven days of your intent to cure that default, or you ultimately fail to cure the default within the applicable cure period, or if we have notified you in writing of a default that is not curable under this Agreement, then even if you are not terminated, we and our affiliates have the right (without liability) to consult with Interested Parties (defined as suppliers, landlords, leasing agents, property managers, creditors, and other parties with whom you, we, our affiliates, or other franchisees deal) about your account status with them and us and to advise those Interested Parties that you are in default under any agreement with us or our affiliates and details about your opportunity to cure, if applicable You waive any claim that the communications we have with Interested Parties in good faith to protect our business interests, and the goodwill of the Great Harvest system, in connection with a possible change in the status of our franchise relationship with you (whether a termination or transfer) constitutes tortious interference with contractual or business relationships or otherwise is unlawful or inappropriate in any way

## ***C26. Your responsibilities after termination or expiration***

If you leave the Great Harvest franchise system, we have an obligation to other owners using the Great Harvest System to make sure you have closed up your Great Harvest Bread Company in a good way, one that doesn't cause

damage to the franchise system as a whole or to other owners. Consequently, before the date of termination or expiration of the Agreement you agree to do the following:

### *MONEY*

You agree to pay us all money you owe us up through the termination or expiration date, including any unpaid royalties. If we terminate you for one of the reasons outlined in Section C25 or because you failed to live up to what you have promised to do in this Agreement, you agree to also reimburse us for any reasonable Attorney's Fees and general expenses we may have incurred or will incur as a result of your violation of this Agreement as well as any actual and consequential damages to us.

### *CONFIDENTIAL MATERIALS*

You agree to return to us the Confidential Start-Up Kit, First Year Guidelines, back newsletters, recipes, pages printed from the Extranet and any other kits, specifications, advertising materials, training materials or other materials we provide as part of the Great Harvest System within 5 days after termination or expiration. You also agree not to make or retain copies of any of this material. If you received a computer at Dillon Learning Week, you agree to send it to us to erase our confidential information and return it to you. You promise to keep no copies, electronic or otherwise, of the information we erase.

### *INVENTORY*

You agree to allow us to purchase from you, at your cost, any or all inventory in re-salable condition that either bears our trademarks or is prepared according to our trade secret specifications, such as your wheat inventory. You agree to provide us with a written list of your inventory upon our request. We will provide written notice of our election by the effective date of the termination or expiration. If the termination is caused by any default by you under Section C25 or otherwise, we may exercise this right of purchase as quickly as 10 days following the termination date.

### *SIGNS AND TRADEMARKS*

You agree to remove or permanently cover the exterior signs displaying the Great Harvest logo and any other signs, advertisements, Internet web sites, blogs, or other on-line accounts or materials identifiable in any way with Great Harvest's name or image. All new signs, marks and advertising materials must be designed to our satisfaction such that there will be no likelihood of confusion with the Great Harvest trademarks and no suggestion of affiliation or former affiliation with the Great Harvest System.

You agree to stop using or displaying our trademarks or any confusingly similar names, marks, signs, or symbols. This includes removing any and all reference to Great Harvest name or trademarks in telephone numbers, white and yellow page references, advertisements, or any other sources that list or mention your bakery in any way. Also stop using and displaying any part of the Great Harvest System as defined in this Agreement.

If you fail to make the necessary changes we will have the right to make them for you, at your expense.

### *GIFT CARDS AND GIFT CERTIFICATES*

You collected money as you sold gift cards and gift certificates, so you agree that the liability for the unredeemed cards and certificates belongs to you alone (unless you have paid us to assume the liability per Section C10). Upon termination, we will present you with a reasonable plan for satisfying these obligations and you agree to comply.

### *DOMAIN NAMES*

If your domain name(s) or any other name(s) you use for any interactive site you maintain, in compliance with this Agreement and our Great Harvest Web Standards, on the Internet (or any other similar proprietary or common carrier electronic delivery system) in connection with your Bread Company's operation (the "Domain Names")

includes any of the Great Harvest trademarks (including the name *Great Harvest Bread Co* ) or either of the words "Great" or "Harvest" (the "Trademark Domain Names"), you agree to approve and not to interfere with all transfers we initiate for the Trademark Domain Name(s) and to take all other action we request to transfer ownership and use of the Trademark Domain Name(s) to us You may not charge us for your compliance with this clause

If your Domain Name(s) does not include any of the Great Harvest trademarks (including the name *Great Harvest Bread Co* ) or either of the words "Great" or "Harvest," but you nonetheless used the Domain Name(s) in connection with your Bread Company's operation and intend to use the Domain Name(s) while engaging in any activity that meets the definition of a competing business (defined in C17), then you agree, whether or not we seek to enforce your broader post-term non-compete obligations, to approve and not to interfere with all transfers we initiate for the Domain Name(s) and to take all other action we request to transfer ownership and use of the Domain Name(s) to us You may not charge us for your compliance with this clause

### *NOTIFICATION*

You agree to notify us and provide us with a plan as detailed below if you, or any business in which you have any ownership interest or control, intend to make or sell any baked products at any time during the remaining term of this Agreement or within two years after the termination or expiration of this Agreement whichever is later

### *PLANS*

You agree to give us a detailed written de-identification plan for your Bread Company This plan will tell us how you intend to comply with this Section C26, as well as the covenant not to compete and confidentiality requirements set forth in Sections C15, C16 and C17 We will provide you with a sample de-identification plan if you ask us

### *TRADE SECRETS*

You agree to stop representing yourself as a Great Harvest Bread Co or suggest in the way you operate your store that you are still using Great Harvest trade secrets You agree to not represent to anyone that you are still baking the same fine breads or using the same or similar recipes or preparation techniques to those used while you were operating a Great Harvest bread company To avoid any confusion and to make it easier for us to verify you are no longer using the Great Harvest System or our trade secrets, you agree that if you operate a store offering baked goods, you will not do the following This is not a complete list of our trade secrets

- Use a thermometer to measure internal temperature of baked breads,
- Use any of the bread names you had used while part of Great Harvest For instance, if you had been selling a bread called "Oregon Herb" while part of Great Harvest, you may not use that name again even if the product differs and whether or not the name is a registered or protected trade mark of Great Harvest,
- Time the mixing process, but will instead mix until done,
- Use a two-stage process of preparing doughs that is substantially similar to the process used by most Great Harvest bread companies

### *INSPECTIONS*

You agree to allow us to conduct on-site inspections of any business of yours that makes or sells bread products for a period of two years from the date of the termination or expiration of this Agreement This includes businesses that you own or control in whole or in part, whether or not operated at the location of your former Great Harvest Bread Company You agree that during an inspection of this sort, we may observe all aspects of your business operation, including any bread making techniques or processes, any recipes and any printed forms used in your business If you are in compliance with the post termination obligations of this Agreement, we agree that we will conduct no more than two inspections per year, per business location If we learn that you are not in compliance with the post termination obligations, you agree that we can inspect for an additional two years from the date we learn of your non-compliance

## ***C27. Mutual hold-harmless; Force Majeure***

The parties will hold each other harmless from all third-party claims arising out of the operations of their respective businesses, including Attorneys' Fees. Neither party shall pledge the other's credit or bind it to any obligation, and each indemnifies and holds harmless the other against all demands, costs, and expenses arising in connection with its own business. No partnership, joint venture, employment relationship, or relationship of principal and agent is established or intended.

If either party is reasonably prevented from performing our respective obligations, pursuant to this Agreement, due to forces of nature, war, riot, terrorism, or any other cause reasonably beyond the control of the affected party, the failure to perform shall be excused for the period of time the affected party is reasonably unable to perform.

## ***C28. Agreement personal to you***

This entire Agreement is personal with respect to you but not personal with respect to us. We will have the right to transfer or assign all or any part of this Agreement to any person or legal entity so long as the assignee agrees to meet all of our obligations under this Agreement.

## ***C29. Remedies cumulative; waivers; non-uniformity***

All of our and your rights and remedies under this Agreement will be cumulative, and, except as provided by this Agreement, none will exclude any other right or remedy allowed by law or equity. No failure on our part to exercise any power given us under, or insistence on your strict compliance with any obligations in, this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, will constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Any waiver by us of the breach of any term of this Agreement will not be deemed to be a waiver of any subsequent breach of the same or different terms and conditions. Whenever this Agreement requires our prior approval or consent, you will make a timely written request, and such approval will be obtained in writing. You accept the necessity of such variances in special cases, and, although you may request a similar variance if your condition is similar, no variance to one franchisee shall ever imply a variance to any other without our specific agreement in writing. You also understand that uniformity is not a goal of the Great Harvest franchise and that, because every bread company in our franchise system is unique, we may at our sole discretion create differing agreements with any of our franchisees based on the differing needs in each franchisee's business.

## ***C30. Severability***

If any applicable and binding law of any jurisdiction requires a greater prior notice than is required under this Agreement of our termination of this Agreement or our refusal to renew your franchise, or requires us to take some other action not required under this Agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable, the prior notice or other action required by such law or rule will be substituted for the comparable provision of this Agreement, and we will have the right to modify the invalid or unenforceable provision to the extent required to make it valid and enforceable. You agree to be bound by the provision as modified.

## ***C31. Governing law & venue; construction***

Except to the extent governed by the United States Trademark Act of 1946 (the Lanham Act, 15 U.S.C. §§ 1051 *et seq.*) or other federal law, this Agreement will be deemed to have been made and entered into in the state of Montana. The Agreement will be construed and interpreted, and our relationship with you and the rights and obligations of the parties governed, in accordance with the internal laws of Montana, without regard to its conflicts of laws and principles. Any law which may be adopted by the state of Montana regulating the sale of franchises or

governing the relationship between us and our bread company owners will not apply unless its jurisdictional requirements are met independently without reference to this paragraph

We recognize that the State in which the Bread Company is located may have express laws on the enforceability of the non-compete clause. Therefore, the provisions of Sections C16, In-term Non-competition, and C17, Post-term Non-competition, shall be governed only by the laws of the State where the Bread Company is located

Both parties agree that they will bring any suit, action or other legal proceedings concerning this Agreement, or arising from their relationship, in the Montana Fifth Judicial District Court in Beaverhead County or to the federal court for the district where Great Harvest Franchising, Inc.'s home office is located, except for Arbitration proceedings that are initiated in accordance with Section C33 below. In addition, we both acknowledge that these courts have personal jurisdiction and agree to waive any future objections concerning jurisdiction or venue

As a franchisor, we have many internal policies concerning franchising issues that are not included in the text of this agreement. Both Parties agree that any such policies or requirements adopted or implemented by Great Harvest shall be binding on you and that your continued adherence to such policies or requirements is an express condition of this Agreement. The parties further agree that Great Harvest shall have the right to amend or modify such policies or requirements, from time to time, at its sole discretion and that any such modification will supercede the prior policy or requirement. However, Great Harvest's internal policies or requirements will not be binding on store level operations unless specifically mentioned elsewhere in this agreement

All terms and words used will be construed as if they were written in the proper number and gender as the context may require. All references to fees and money are in U.S. dollars. If any provision of this Agreement is susceptible to two or more constructions, one which would render it enforceable and the other(s) which would render it unenforceable, the provision will have the meaning that renders it enforceable. If you consist of two or more individuals, they will be jointly and severally liable under this Agreement. Paragraph headings are inserted for convenience only and are not meant to limit the scope of the paragraphs

## ***C32. Notices***

All notices with regard to this Agreement will be in writing and will be considered given when hand delivered or sent by registered mail, certified mail, or courier showing proof of delivery

If to you, at

(or at your Bread Company address once a location has been determined)

If to us, at

Great Harvest Franchising, Inc  
28 South Montana Street  
Dillon, MT 59725

or such other addresses as may be specified by you or us by notice to the other

### ***C33. Conflict and dispute resolution***

In any circumstance where a conflict or dispute arises between Great Harvest and you, that dispute or conflict must be initially referred to a neutral third party mediator acceptable to us both. The mediation shall occur in a manner similar to the procedures utilized by the American Arbitration Association or JAMS. The mediator shall conduct an informal, non-binding mediation in an attempt to resolve the dispute. Both parties expressly agree that if either party demands mediation the other party shall participate, in good faith in the mediation process. The request for mediation must be in writing and set forth the specific reasons why the party thinks mediation is necessary. A party receiving a demand for mediation may give notice to the other party of other conflicts or disputes, which it deems appropriate for resolution at the mediation. Except as specifically provided in this Section C33, the mediation called for herein is a condition precedent to any demand for arbitration or commencement of a legal action. If the parties cannot agree on a mediator, then they agree to use the American Arbitration Association to select the mediator. The American Arbitration Association will assist in selecting a qualified mediator who is located in the area where the mediation will be conducted. The procedure to follow in invoking this provision is as follows:

Any request for mediation must be in writing and in compliance with Section C31 above. You and Great Harvest will meet and confer by telephone within ten (10) days of postmark of such request for mediation (the "Requested Mediation Date"). During such meet and confer, the parties will discuss and agree on a mediator and decide and agree on the following additional matters:

- a Answer any questions about the mediation process,
- b Arrange necessary document or information exchange,
- c Decide on who will participate,
- d Select the mediation date,
- e Complete arrangements for the mediation, which will be held in the nearest city to you which is served by a major airport, and
- f Decide on length of mediation session, agenda, and pre-mediation submissions by the parties

If the parties do not meet and confer within the ten-day period set forth above, or if the parties timely meet and confer but are unable to agree on the selection of a mediator or the other matters noted above, unless extended in writing by mutual agreement between the parties, the parties are under no obligation to mediate the dispute and all other remedies are available to the parties. In no event shall the parties be required to mediate the dispute if the mediation does not occur within thirty (30) days of the Requested Mediation Date. Notwithstanding the foregoing, nothing herein shall be interpreted as preventing Great Harvest from initiating legal action to seek injunctive relief at any time if necessary.

It is the express intention of the parties to this Agreement that mediation will be used to avoid, if at all possible, the expense and delay of arbitration and litigation. Moreover, good faith efforts shall be exerted by all parties to complete any mediation in one day.

Representation by legal counsel and use of outside experts at the mediation session is not permitted unless both parties agree otherwise.

The entire mediation process is a confidential settlement discussion. You agree that you will sign a confidentiality agreement, the terms of which are mutually acceptable, prior to attending mediation to foster the spirit of dispute resolution. All offers, promises, conduct and statements, whether oral or written, by anyone at any time before, during and after the mediation, and any documents created for the mediation, are confidential, made pursuant to a bona fide settlement offer or discussion and shall be neither discoverable nor admissible for any purpose, including impeachment, in any pending or subsequent litigation, arbitration or administrative proceeding. Evidence that is otherwise discoverable or admissible shall not be rendered non-discoverable or inadmissible as a result of its use in the mediation.

If the dispute is resolved by mediation, you and/or Great Harvest shall sign a binding mediation agreement setting forth the result of the mediation. You and we will have a reasonable opportunity (not more than 10 days) to have any binding agreement reviewed by legal counsel, signed and returned to the other party or parties to the mediation.

You and Great Harvest are each responsible for its own expenses incurred in the mediation. You and Great



Harvest will share equally in the fees and expenses of the neutral third party mediation organization and the mediator

In certain specific types of conflict or disputes, such as trademark infringement, defamation, violations of non-competition agreements, public health issues or theft, there may not be time for mediation, immediate action might be necessary to prevent imminent or irreversible harm. Recognizing these special cases, we reserve the right, at our sole discretion, without initiating mediation to seek injunctive relief from a court of competent jurisdiction to enforce the non-competition, trademark, trade secret, confidentiality, and post-termination clauses of this Agreement or to enforce a termination of this Agreement. In addition, Great Harvest may, without initiating mediation, seek injunctive relief to address any circumstances in your business that might have an adverse effect on the public health.

In the event actual mediation does not resolve all outstanding conflicts or disputes between the parties, the aggrieved party may demand an Arbitration of the dispute. The parties agree to discuss either by telephone or in person within ten (10) days of the completion of the mediation, whether the matter should be submitted to binding arbitration. The demand for Arbitration must be in writing, with the specific disputes or claims detailed. The demand for Arbitration must be served on the other party in the manner formal notices are specified elsewhere in this Agreement. When a party demands Arbitration, the demanding party shall name a proposed Arbitrator of that party's choice. The party receiving a demand for arbitration shall, within twenty (20) days of receipt of the demand, provide its answer to the arbitration demand and the specifics of any counter claims or similar disputes and the name and address of that party's selected arbitrator. Within twenty (20) days of the response to the demand for arbitration, the two nominated arbitrators shall confer and select a third arbitrator who shall act as the referee or umpire of the arbitration. Decisions of the three selected arbitrators ("Arbitration Panel") shall be by majority vote of the arbitrators. If the parties are unable to reach agreement within this ten-day period on submitting the matter to binding arbitration or some other dispute resolution procedure, and unless extended in writing by mutual agreement between the parties, the parties shall be under no further obligation to resolve the dispute through arbitration or alternative dispute resolution, and the parties may pursue legal remedies.

Within ten (10) days after the selection of the umpire, the Arbitration Panel shall meet or confer with representatives of the parties and an Arbitration Scheduling Order shall be finalized. The Arbitration Scheduling Order shall include provisions for (a) selecting the site and location for the arbitration (in the home state or city of the franchisee, if possible) (b) providing for the orderly exchange of pre-arbitration discovery materials, including the exchange of documents, witness lists and expert opinions, (c) limiting the number, length and types of pre-arbitration depositions, (d) providing a procedure for obtaining subpoenas or other lawful procedures to provide each party to obtain compulsory attendance of witnesses or production of documents, (e) scheduling a final pre-arbitration hearing wherein the matter will be set for evidentiary hearing and procedures for that hearing determined, (f) determining the date the arbitration hearing shall occur.

The party demanding arbitration of an issue shall bear the burden of proof, by a preponderance of the evidence, on that issue throughout the proceeding. The Arbitration Panel shall fix remedies and award damages, in its sole discretion, as the Arbitration Panel finds appropriate under the law and facts of the case. The final decision of the Arbitration Panel shall not be appealable and shall be reduced to writing and may be filed in an appropriate state court and enforced with the same power and authority as a final, non-appealable judgment of that state court. The Arbitration Panel may award to the party who substantially prevails in the arbitration the legal fees and costs of arbitration incurred by the prevailing party. The costs of the Arbitration Panel, including the arbitrators' fees and travel expenses shall be borne equally by the parties, regardless of the final decision of the arbitrators.

### ***C34. Misunderstandings deriving from poor business practice***

This Agreement, together with such other written and signed understandings as may be amended to it, contains the entire agreement between the parties, and no promises or agreements, oral or otherwise, between the parties not embodied in this Agreement or other signed documents will be of any force or effect. However, nothing in this Agreement or any related agreement disclaims or requires you to waive reliance on any representations in our Franchise Disclosure Document (including its exhibits or amendments).

Any relationship based on long-term trust, such as the one this Agreement creates, is especially vulnerable to poor business practices. When trust is low, the parties are forced of necessity to be extremely careful and clear in all agreements and guard their own interests. When trust is high and continues high for years, misunderstandings can more easily proliferate unless extra care is taken. This is because each trusting party is prone to reading best intentions.

and even long-term promises into casual or non-rigorous statements by the other, assuming commitments that were never intended

The long-term trusting relationship between you and us is too critical to the success of your Bread Company and our franchise system to be left vulnerable to unchecked assumption, incorrect implication, or notes on a napkin. For this reason, we do not intend to make verbal or informal contracts except in the case of short-term, non-critical agreements ("I'll get it done by Thursday"). Our relationship with you, and yours with us, is too long-term for either of the parties to leave important understandings to non-rigorous (sloppy) business practices or memory. Conversations with us must never be misinterpreted as promises, impromptu statements made by us must never be taken out of context and relied on, likewise, we will never challenge your word and integrity based on something you said casually, but which we failed to get in writing. If we make any promise to you, or ask any promise from you, which is significant and affects our long term relationship and goes beyond the wording of this Agreement, it will *be* a promise, without any possible latitude for confusion. It will be written in a document, it will be signed by both of us, it will look formal, and it will be in binding on both of us.

You, the Bread Company owner, may be a legal entity, a single person or a group of people. When more than one person is involved, you may have disagreements among your ownership group. Regardless of the number of owners you have, you agree that we may rely on the decision-making authority of those owners holding a majority ownership interest in the Bread Company, even if not all owners of the Bread Company agree with the decision.

### ***C35. Acknowledgments***

You acknowledge that

There are risks involved in the business contemplated by this Agreement, and its success depends largely on your business ability. No warranty or guarantee by Great Harvest of the volume, profits, or success of the business contemplated by this Agreement, expressed or implied, has been received or relied upon by you.

You know of no representations by Great Harvest about the business contemplated by this Agreement that are contrary to this Agreement, although you may rely on the representations contained in our Franchise Disclosure Document. You have made no misrepresentations to us in order to obtain entry into this Agreement.

You have received, read and understood the current disclosure document for Great Harvest Franchising, Inc. at least fourteen calendar days (and, where applicable, 10 business days) prior to signing this Agreement. You have read and understood this Agreement, and received it in its final form with all amendments, attachments and ancillary agreements, at least seven calendar days prior to signing it.

You are aware that many current Great Harvest bread company owners operate under different forms of Agreements, and consequently Great Harvest's rights and obligations with respect to its various Bread Company owners could differ materially.

Any pages amending this Agreement, if any, are attached and are incorporated as a part of this Agreement.

*Intending to be legally and morally bound*, the parties have executed this Agreement at the times and the places written below. The effective date of this Agreement is the latter of the two dates of signing.

**GREAT HARVEST FRANCHISING, INC.**

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER:**

By \_\_\_\_\_

And by \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

***EXHIBIT B***  
***LIST OF STATE AGENCIES/AGENTS FOR***  
***SERVICE OF PROCESS***

## **EXHIBIT B**

### **LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

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

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

#### **California**

Commissioner of the Department of Business  
Oversight.  
Toll Free 1 (866) 275-2677

##### ***Los Angeles***

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013-2344  
(213) 576-7500

##### ***Sacramento***

1515 K Street, Suite 200  
Sacramento, California 95814-4052  
(916) 445-7205

##### ***San Diego***

1350 Front Street, Rm 2034  
San Diego, California 92101-3697  
(619) 525-4233

##### ***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94105-2980  
(415) 972-8559

#### **Hawaii**

(for service of process)  
Commissioner of Securities  
Business Registration Division  
Department of Commerce  
and Consumer Affairs  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813  
(808) 586-2722

(for other matters)  
Commissioner of Securities  
Business Registration Division  
Department of Commerce  
and Consumer Affairs  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813  
(808) 586-2722

#### **Illinois**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

## **Indiana**

(for service of process)

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

(state agency)

Indiana Secretary of State  
Securities Division  
Room E-111  
302 West Washington Street  
Indianapolis, IN 46204  
(317)232-6681

## **Maryland**

(state agency)

Office of the Attorney General-  
Securities Division  
200 St Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(for service of process)

Maryland Securities Commissioner  
at the Office of Attorney General-  
Securities Division  
200 St Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

## **Michigan**

Corporations Division  
Franchise  
P O Box 30054  
Lansing, MI 48909  
(517) 373-7117

## **Minnesota**

Commissioner of Commerce  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St Paul, Minnesota 55101  
(651) 296-6328

## **New York**

(for service of process)

New York Department of State  
Division of Corporations, State Records &  
Uniform Commercial Code  
One Commerce Plaza  
99 Washington Ave , 6th Floor  
Albany, New York 12231  
(518) 474-4770

(for other matters)

New York State Department of Law  
Investor Protection and Securities Bureau  
120 Broadway, 23rd Floor  
New York, New York 10271-0332  
(212) 416-8000

## **North Dakota**

(state agency)

North Dakota Securities Department  
600 East Boulevard Avenue State Capitol  
Fifth Floor Dept 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

(for service of process)

Securities Commissioner  
600 East Boulevard Avenue State Capitol  
Fifth Floor Dept 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### **Oregon**

Oregon Division of Finance and Corporate  
Securities

350 Winter Street NE, Room 410  
Salem, Oregon 97301-3881  
(503) 378-4387

### **Rhode Island**

Securities Division  
Department of Business Regulations  
1511 Pontiac Avenue  
John O Pastore Complex-Building 69-1  
Cranston, RI 02920  
(401) 462-9500

### **South Dakota**

Department of Labor and Regulation  
445 East Capitol Ave.  
Pierre, SD 57501-3185  
(605) 773-4823

### **Virginia**

(for service of process)

Clerk, State Corporation Commission  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9733

(for other matters)

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

### **Washington**

(for service of process)

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

(for other matters)

Department of Financial Institutions  
Securities Division  
P O Box 9033  
Olympia, Washington 98501-9033  
(360) 902-8760

### **Wisconsin**

Commissioner of Securities  
345 W. Washington Ave , 4th Floor  
Madison, Wisconsin 53703  
(608) 266-8557

***EXHIBIT C***  
***FINANCIAL STATEMENTS***





Consolidated Financial Statements  
October 31, 2013, 2012, and 2011

# Great Harvest Franchising, Inc. & Subsidiaries

Great Harvest Franchising, Inc. & Subsidiaries

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October 31, 2013, 2012, and 2011

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

The Stockholders and Board of Directors  
Great Harvest Franchising, Inc. & Subsidiaries  
Dillon, Montana

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Great Harvest Franchising, Inc., which comprise the consolidated balance sheets as of October 31, 2013, 2012, and 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position Great Harvest Franchising, Inc. as of October 31, 2013, 2012, and 2011, 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.

Billings, Montana  
January 8, 2014

[www.eidebailly.com](http://www.eidebailly.com)

	2013	2012	2011
Assets			
Current Assets			
Cash and cash equivalents	\$ 865,202	\$ 665,400	\$ 769,100
Royalties receivable, net of allowance for doubtful accounts of \$52,490, \$31,620 and \$91,334 at 2013, 2012, and 2011, respectively	546,798	607,242	609,074
Assets held for sale	-	-	9,000
Current portion of notes receivable	6,958	23,369	9,850
Prepaid expenses and other	230,175	251,395	240,473
Total current assets	1,649,133	1,547,406	1,637,497
Property and Equipment			
Land	32,657	32,657	32,657
Building and improvements	1,289,485	1,028,891	489,248
Fixtures and equipment	1,118,110	959,093	854,248
Construction in progress	-	179,794	412,477
	2,440,252	2,200,435	1,788,630
Less accumulated depreciation	(1,172,300)	(965,939)	(818,242)
Net property and equipment	1,267,952	1,234,496	970,388
Other Assets			
Notes receivable, net current maturities and allowance for doubtful accounts of \$15,000, \$0, and \$0 at 2013, 2012, and 2011, respectively	52,835	14,180	50,947
Acquired franchise rights, net	697,554	967,575	1,237,596
Other intangible assets, net	870	1,710	2,550
	751,259	983,465	1,291,093
Total assets	\$ 3,668,344	\$ 3,765,367	\$ 3,898,978

See Notes to Consolidated Financial Statements

Great Harvest Franchising, Inc. & Subsidiaries  
Consolidated Balance Sheets  
October 31, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$ 157,012	\$ 138,800	\$ 91,378
Accrued compensation and benefits	169,677	194,078	175,533
Deferred compensation liability	39,395	-	-
Current portion of long-term debt	300,000	300,000	300,000
Deferred franchisee fees and territory deposits	406,150	281,250	228,150
Other accrued liabilities	<u>282,981</u>	<u>264,952</u>	<u>262,478</u>
Total current liabilities	1,355,215	1,179,080	1,057,539
Deferred Gain on Sale of Company Store	-	3,388	7,084
Long-Term Debt, Less Current Portion	50,000	350,000	650,000
Deferred Compensation Liability, Less Current Portion	<u>127,782</u>	<u>138,854</u>	<u>130,906</u>
Total liabilities	<u>1,532,997</u>	<u>1,671,322</u>	<u>1,845,529</u>
Stockholders' Equity			
Common stock, no par value; 50,000 authorized shares, 11,109 issued and outstanding shares at 2013, 2012, and 2011	765,000	765,000	765,000
Retained earnings	<u>1,370,347</u>	<u>1,329,045</u>	<u>1,288,449</u>
Total stockholders' equity	<u>2,135,347</u>	<u>2,094,045</u>	<u>2,053,449</u>
Total liabilities and stockholders' equity	<u>\$ 3,668,344</u>	<u>\$ 3,765,367</u>	<u>\$ 3,898,978</u>

Great Harvest Franchising, Inc. & Subsidiaries  
Consolidated Statements of Operations  
Years Ended October 31, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues			
Franchise royalties	\$ 5,234,531	\$ 5,216,600	\$ 5,041,919
Franchise fees	<u>298,000</u>	<u>457,006</u>	<u>441,750</u>
Total revenues	5,532,531	5,673,606	5,483,669
Franchise operating expenses	<u>4,880,202</u>	<u>4,764,911</u>	<u>4,410,232</u>
Operating income	<u>652,329</u>	<u>908,695</u>	<u>1,073,437</u>
Other income (expense)			
Interest income	3,500	3,823	6,488
Interest expense	(26,825)	(38,055)	(58,890)
Rental and other income	<u>18,635</u>	<u>18,831</u>	<u>17,398</u>
Total other expense	<u>(4,690)</u>	<u>(15,401)</u>	<u>(35,004)</u>
Net income	<u>\$ 647,639</u>	<u>\$ 893,294</u>	<u>\$ 1,038,433</u>

Great Harvest Franchising, Inc. & Subsidiaries  
Consolidated Statements of Stockholders' Equity  
Years Ended October 31, 2013, 2012, and 2011

	Common stock		Retained earnings	Total stockholders' equity
	Shares	Amount		
Balance at October 31, 2010	11,109	\$ 765,000	\$ 1,083,902	\$ 1,776,897
Cash dividends paid	-	-	(833,886)	(833,886)
Net income	-	-	1,038,433	1,038,433
Balance at October 31, 2011	11,109	\$ 765,000	\$ 1,288,449	\$ 1,981,444
Cash dividends paid	-	-	(852,698)	(852,698)
Net income	-	-	893,294	893,294
Balance at October 31, 2012	11,109	765,000	1,329,045	2,094,045
Cash dividends paid	-	-	(606,337)	(606,337)
Net income	-	-	647,639	647,639
Balance at October 31, 2013	<u>11,109</u>	<u>\$ 765,000</u>	<u>\$ 1,370,347</u>	<u>\$ 2,135,347</u>

Great Harvest Franchising, Inc. & Subsidiaries  
Consolidated Statements of Cash Flows  
Years Ended October 31, 2013, 2012, and 2011

	2013	2012	2011
Operating Activities			
Net income	\$ 647,639	\$ 893,294	\$ 1,038,433
Adjustments to reconcile net income to net cash from operating activities			
Depreciation	207,632	148,465	107,792
Amortization	270,861	270,861	270,861
Provision for uncollectible receivables	1,793	62,927	28,500
Deferred gain on sale of Company store	(3,388)	(3,696)	(3,696)
Write-off of assets held for sale	-	-	9,702
(Gain) Loss on sale of property and equipment and assets held for sale	(350)	3,522	-
Changes in assets and liabilities			
Royalties receivable	62,331	(98,041)	(63,399)
Prepaid expenses and other	21,220	(10,922)	45,144
Accounts payable	18,212	(31,696)	(136,173)
Accrued compensation and benefits	(24,401)	18,545	(9,181)
Deferred franchisee fees and territory deposits	124,900	53,100	(45,550)
Other accrued liabilities	46,352	10,422	6,667
Net Cash from Operating Activities	<u>1,372,801</u>	<u>1,316,781</u>	<u>1,249,100</u>
Investing Activities			
Purchases of property and equipment and assets held for sale	(244,583)	(336,877)	(339,049)
Proceeds from sale of property and equipment and assets held for sale	3,845	8,900	-
Principal receipts on notes receivable	9,076	70,194	28,931
Notes receivable funded	(35,000)	(10,000)	-
Net Cash used for Investing Activities	<u>(266,662)</u>	<u>(267,783)</u>	<u>(310,118)</u>
Financing Activities			
Principal payments on debt	(300,000)	(300,000)	(300,000)
Dividends paid	(606,337)	(852,698)	(833,886)
Net Cash used for Financing Activities	<u>(906,337)</u>	<u>(1,152,698)</u>	<u>(1,133,886)</u>
Net Change in Cash and Cash Equivalents	199,802	(103,700)	(194,904)
Cash and Cash Equivalents, Beginning of Year	<u>665,400</u>	<u>769,100</u>	<u>964,004</u>
Cash and Cash Equivalents, End of Year	<u>\$ 865,202</u>	<u>\$ 665,400</u>	<u>\$ 769,100</u>

See Notes to Consolidated Financial Statements



Great Harvest Franchising, Inc. & Subsidiaries  
Consolidated Statements of Cash Flows  
Years Ended October 31, 2013, 2012, and 2011

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	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash payments for interest	<u>\$ 26,825</u>	<u>\$ 38,055</u>	<u>\$ 58,890</u>
<b>Non-Cash Investing and Financing Activities</b>			
Note receivable from legal settlement	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ -</u>
Royalty receivable converted to notes receivable	<u>\$ -</u>	<u>\$ 36,946</u>	<u>\$ -</u>
Royalty receivable converted to assets held for sale	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000</u>
Construction in progress funded through accounts payable	<u>\$ -</u>	<u>\$ 79,118</u>	<u>\$ -</u>

## Note 1 - Principal Business Activity and Significant Accounting Policies

### Principal Business Activity

Great Harvest Franchising, Inc. ("GHF") is a franchisor of Great Harvest Bread Co. bread stores. At October 31, 2013, GHF had 213 franchised bread stores and satellite locations open throughout 45 states. GHF provides various support services and programs to its franchisees.

### Principles of Consolidation

The consolidated financial statements include the accounts of GHF and its wholly owned subsidiaries, MMBC Acquisition Company, Inc. and Great Harvest Internet Sales Company, LLC (collectively, the "Company"). All intercompany balances and transactions have been eliminated in consolidation. During the year ended October 31, 2012, MMBC Acquisition Company, Inc. and Great Harvest Internet Sales Company, LLC were dissolved.

### Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, balances of which are periodically in excess of federally insured limits.

### Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

### Receivables and Credit Policy

Royalties receivable are uncollateralized obligations due under terms of the Company's franchise agreements with its franchisees, requiring monthly payment. At the company's discretion, it may charge a \$50 late fee and interest on past-due balances. Royalties receivable are stated at the contractual amounts under each franchise agreement, and are based upon a specified percentage of each franchisee's monthly gross sales. Payments of royalties receivable are allocated to the specific month to which the payment applies or, if unspecified, are applied to the earliest unpaid month.

The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. Royalties receivable balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote.

Notes receivable represent amounts of uncollateralized and collateralized obligations due under extended payments terms exceeding one year. The notes receivable carry fixed annual interest rates varying from 3.22% to 8.2%, with payments applied first to unpaid interest balances and any remainder to the principal balance. The Company evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for uncollectible amounts being provided if necessary.

### Revenue Recognition

Franchise fees consist of initial fees due upon awarding franchises to franchisees. Franchise royalties consist of monthly fees based upon a percentage of franchisees' monthly gross sales. Franchise fees are deferred and recognized as revenue by the Company during the period in which franchisees open their bread store for business. Franchise royalties are paid monthly by the franchisees and are recognized by the Company during the period in which the related sales occur at the franchised bread stores.

### Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets as follows.

Building and improvements	30 years
Fixtures and equipment	2 to 5 years

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at October 31, 2013, 2012, and 2011.

### Intangible Assets

Intangible assets with a finite life consist of franchise rights and loan origination fees, and are carried at cost less accumulated amortization. The Company amortizes the cost of identifiable intangible assets on a straight-line basis over the expected period of benefit, which is fifteen years for franchise rights and the loan term for loan origination fees, which is six years.

### Gift Cards

The Company sells gift cards redeemable at its franchised locations. Gift cards are recorded as liabilities upon issuance. When gift cards are redeemed in franchised locations, the Company has a third-party gift card processor that reconciles and transfers funds between selling and redeeming bakery locations on a monthly basis. Franchisees include gift card redemptions in their revenue reporting to the Company, and the Company collects royalties from franchisees based on total revenues, including gift card redemptions. See Note 4 for the amount of outstanding gift cards at October 31, 2013, 2012, and 2011.

### Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. The stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. Certain specific deductions and credits flow through the Company to its stockholders.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of October 31, 2013, 2012, and 2011, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is no longer subject to Federal tax examinations by tax authorities for years before 2010 and state examinations for years before 2009.

### Advertising

Advertising costs are expensed as incurred. Such costs approximated \$38,000, \$19,200, and \$19,800, respectively, for the years ended October 31, 2013, 2012, and 2011.

### Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

### Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or stockholders' equity.

### Note 2 - Notes Receivable

Notes receivable consists of notes taken by the Company in conjunction with the sale of a vehicle to an independent contractor of the Company and loans to franchisees of the Company. The notes range in original length from 2 to 5 years, and the interest on the notes ranges from fixed annual rates of 3.22% to 8.2%. The notes are carried at their estimated recoverable amounts. The notes receivable are presented net of an allowance for uncollectible accounts of \$15,000, \$0-, and \$0- for the years ended October 31, 2013, 2012, and 2011, respectively.

Maturities of the notes for years ending subsequent to October 31, 2013, are as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2014	\$ 6,958
2015	8,835
2016	7,000
2017	9,000
2018	43,000
	<u>\$ 74,793</u>

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**Note 3 - Intangible Assets**

Acquired franchise rights represent the fair value of the franchise contracts acquired in conjunction with the acquisition of the Company in May 2001. These acquired franchise rights are being amortized on a straight-line basis over 15 years, which approximates the estimated weighted average useful lives of the franchise contracts existing at the acquisition date.

Acquired franchise rights and other intangible assets at October 31, 2013, 2012, and 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Acquired franchise rights	\$ 4,050,312	\$ 4,050,312	\$ 4,050,312
Less accumulated amortization	<u>(3,352,758)</u>	<u>(3,082,737)</u>	<u>(2,812,716)</u>
Acquired franchise rights, net	<u>\$ 697,554</u>	<u>\$ 967,575</u>	<u>\$ 1,237,596</u>
Other intangible assets	\$ 30,000	\$ 30,000	\$ 30,000
Less accumulated amortization	<u>(29,130)</u>	<u>(28,290)</u>	<u>(27,450)</u>
Other intangible assets, net	<u>\$ 870</u>	<u>\$ 1,710</u>	<u>\$ 2,550</u>

Amortization expense for the years ended October 31, 2013, 2012, and 2011 was \$270,861. Estimated future amortization expense related to these intangible assets is as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2014	270,861
2015	270,051
2016	<u>157,512</u>
	<u>\$ 698,424</u>

**Note 4 - Accrued Liabilities**

Other accrued liabilities at October 31, 2013, 2012, and 2011 consist of the following:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unredeemed gift cards	\$ 244,892	\$ 240,187	\$ 242,764
Other	<u>38,089</u>	<u>24,765</u>	<u>19,714</u>
Other accrued liabilities	<u>\$ 282,981</u>	<u>\$ 264,952</u>	<u>\$ 262,478</u>

#### Note 5 - Debt

On December 16, 2008, the Company entered into an Amended and Restated Term Note and Loan Agreement (the "Amended Loan"). The Amended Loan refinanced and replaced two separate outstanding loans. The Company realized a gain of \$55,338 in conjunction with this refinancing. The Amended Loan matures January 1, 2015, and carries an annual variable interest rate of the prime lending rate plus 1%, subject to a 5.5% floor and a 12.0% ceiling. The effective annual interest rate at October 31, 2013, was 5.5%.

The Amended Loan is collateralized by substantially all assets of the Company, and by the assignment to the lender of a \$1 million life insurance policy on the CEO and President of the Company. Additionally, each of the Company's stockholders is a personal guarantor of the Amended Loan. The Amended Loan contains certain financial covenants including, among other things, a current ratio, a fixed charge coverage ratio, and a funded debt to EBITDA ratio, with which the Company is in compliance, or has obtained waivers, as of October 31, 2013. In addition, the terms of the Amended Loan limit the amount of distributions to, and compensation of, the Company's stockholders. If the Company achieves certain annual EBITDA levels, additional distribution payments are allowed by the terms of the Amended Loan. The outstanding balance of the loan was \$350,000, \$650,000, and \$950,000 as of October 31, 2013, 2012, and 2011, respectively.

Future maturities of long-term debt are as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2014	\$ 300,000
2015	50,000
	<u>\$ 350,000</u>

#### Note 6 - Franchising

From time to time, the Company has franchised bread stores in markets in which it considers expansion to be of benefit. Franchisees bear all direct costs involved in the development, construction, and operation of their bread stores. The Company provides franchisees support for site selection, architectural plans, interior and exterior design and layout, training, marketing and sales techniques, and opening assistance. The current standard franchise agreement provides for payment to the Company of a total franchise fee of \$3,000 to \$38,000 per bread store, depending on the type of franchise bread store (i.e. first bread store, satellite bread store, or existing franchise transfer).

For a first franchise bread store, the prospective franchisee must deposit \$22,000 (\$24,000 for franchise agreements signed after January 30, 2012) with the Company to enter into the franchise agreement and when the franchise is approved and ready to open for business. The franchisee must remit the final \$13,000 (\$14,000 for franchise agreements signed after January 30, 2012) payment within one week prior opening its doors for business. The standard fee paid to the Company for the transfer of a franchise bread store ownership for an existing bread store is \$16,000 (\$19,000 for franchise agreements signed after January 30, 2012), but can vary based on circumstances. The Company's standard fee to open an additional bread store when they are the owner of an existing franchise bread store is \$5,000 (\$8,000 for franchise agreements signed after January 30, 2012). This fee is non-refundable after a 2 year "search" period. Royalties range from 1% to 7% of gross sales. Franchise fee revenues are deferred until the franchise bread store is open for business. Initial franchise fees income is identified separately in the consolidated statement of operations.

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Information about the number of franchised bread stores is as follows

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Franchise activity for the year ended October 31			
Franchises opened	10	13	17
Franchises discontinued	11	9	15
Franchises in operation as of October 31	213	214	210

#### Note 7 - Employee Benefit Plans

The Company sponsors a 401(k) plan (the "Plan") for substantially all employees. Participants in the Plan may elect to contribute 1% to 25% of their compensation to the Plan, subject to certain limitations. The Company matches 100% of each employee's elective deferrals to the Plan, up to 2% of such employee's eligible compensation. The Company may also elect to make discretionary contributions to the Plan. Total Company contributions during 2013, 2012, and 2011 were \$54,941, \$55,886, and \$53,230, respectively.

The Company formed the Great Harvest Franchising, Inc. Phantom Stock Plan (the "Phantom Plan") for certain of its employees. Under the Phantom Plan, 550 Phantom Stock Units ("PSU") were granted under a 5 year vesting schedule. Each PSU can be redeemed at the corresponding book value per share of the Company's common stock. Upon a qualifying sale of the Company's stock, as defined in the Phantom Plan, PSUs become fully vested, and the PSU redemption amount becomes the per-share sale price of the Company's common stock. In addition, in the event the Company pays certain dividends, as further defined in the Phantom Plan, the value of each PSU is increased accordingly. Compensation expense related to the Phantom Plan, which is calculated based on the book value of the Company, was \$24,419, \$7,948, and \$21,472 during the years ended October 31, 2013, 2012, and 2011, respectively. Included in the accompanying balance sheets at October 31, 2013, 2012, and 2011 is \$167,177, \$138,854, and \$130,906, respectively, in accrued benefits and deferred compensation related to the Phantom Plan.

The Company also sponsors a bonus plan whereby eligible employees can earn additional cash compensation if certain pre-determined operating objectives are met. Bonus awards during the years ended October 31, 2013, 2012, and 2011, respectively, included cash awards of \$100,000, \$124,000, and \$122,885, which are included in the accompanying consolidated balance sheets as of October 31, 2013, 2012, and 2011, respectively.

#### Note 8 - Stockholders' Agreement

The stockholders of the Company entered into an agreement which (i) places restrictions on the transfer of the Company's stock, (ii) gives the Company a first right of refusal on third party offers to purchase a selling stockholder's stock, (iii) provides for a determination of a purchase price and payment method for involuntary transfers of stock, and (iv) provides for certain control provisions, among other things.

#### Note 9 - Related Party Transactions

The Company has a consulting arrangement with Consulting Resources and Services, Inc (previously Creative Services, Inc ) ("CRSI"), a consulting firm owned by the Company's Chairman. The consulting arrangement requires an ongoing monthly retainer of \$4,000 to be paid to CRSI, so long as the Chairman remains a stockholder of the Company. During each of the years ended October 31, 2013, 2012, and 2011, the Company paid CSI \$48,000 under this arrangement.

On September 30, 2003, the Company sold the assets of its Company-owned store in Butte, Montana, to We Love Dough, Inc ("WLD"), a corporation owned by the Company's Controller and the Manager of the Butte store. At the time of the sale, the Company recorded a deferred gain of \$36,962, which is carried as a long-term liability on its consolidated balance sheets. This deferred gain is being accreted into royalty income over the ten-year term of the underlying franchise agreement. At October 31, 2013, 2012, and 2011, the remaining deferred gain was \$-0-, \$3,388, and \$7,084, respectively. The Butte store operates as a franchisee of the Company. Royalty revenue earned from this store is included in the consolidated statement of operations.

The Company pays a monthly retainer to Creative Services, Inc (previously McNeill Lehman) ("CSI"), a public relations and marketing firm owned by the Company's Chairman. CSI provides the Company with public relations, marketing, and other assistance. During each of the years ended October 31, 2013, 2012, and 2011, the Company paid \$126,000 to CSI under this arrangement.

Each of the Company's non-employee directors receives an annual fee for their services to the Company. One of the two non-employee directors is also a stockholder of the Company. Directors' fees totaled \$138,750, \$141,000, and \$96,000 during the years ended October 31, 2013, 2012, and 2011, respectively.

#### Note 10 - Commitments and Contingencies

##### Leases

In February 2010, the Company entered into a Lease Assistance Agreement with one of its franchisees. Under this agreement, the Company agrees to reimburse the franchisee up to \$55,200 in lease costs over the next four years, depending on the franchisee's underlying sales levels. \$9,000, \$21,600, and \$12,600 was paid to the franchisee in 2013, 2012, and 2011, respectively, and is included in franchise operating expenses for the year ended October 31, 2013, 2012, and 2011. This agreement terminated in March 2013.

The Company is a guarantor of one of its franchisee's lease agreements. The guaranty obligates the Company to perform under the corresponding lease should the franchisee fail to do so. In 2008, the franchisee in this location closed and declared bankruptcy. The Company terminated the corresponding franchise agreement and transferred the franchise rights to another franchisee. During the transition period to the new franchisee, the Company paid \$16,180 in lease costs pursuant to its guaranty.



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In exchange for entering into the guaranty, the franchisee's royalty rate increased from 3% to 4% of gross sales. The underlying lease expires August 31, 2015. The franchisee's future payment obligations under the lease are as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2014	\$ 51,548
2015	44,025
	<u>\$ 95,573</u>

#### Franchisee Gift Cards

The Company's franchisees sell gift cards through a non-pooled, closed-loop gift card program. Outstanding gift card balances for gift cards sold by franchisees are liabilities of each selling franchisee. Proceeds from gift cards sold by franchisees remain with the selling franchisee and, as gift cards are redeemed, funds flow directly from the selling franchisee to the redeeming franchisee. Franchisees are required to maintain adequate balances in their bank accounts to cover any gift card redemptions of cards they sell that are redeemed at other franchisees' locations. In the event there are insufficient funds in selling franchisees' bank accounts to cover redemptions at other franchisee locations, the Company funds such shortfalls.

At October 31, 2013, 2012, and 2011, outstanding gift card balances of gift cards issued by the Company's franchisees totaled \$1,906,942, \$1,724,159, and \$1,512,951, respectively. Included in these amounts are \$152,175, \$124,311, and \$82,979 at October 31, 2013, 2012, and 2011, respectively, in outstanding gift cards issued by former franchisees of the Company that are no longer in business. During each of the years ended October 31, 2013, 2012, and 2011, the amount of gift card redemptions for gift cards issued by franchisees, but funded by the Company, was insignificant. The Company has not accrued any of its franchisees' outstanding gift card liabilities as of October 31, 2013, 2012, and 2011.

#### Other

The Company is from time to time subject to routine litigation incidental to its franchising business. These lawsuits primarily involve claims arising from disputes over the terms of the franchise agreements signed by the Company and its franchisees and former franchisees. Management of the Company does not believe the final outcome of these matters will cause a material adverse effect on the Company's financial position, results of operations or liquidity.

#### Note 11 - Subsequent Events

On November 1, 2013, the Company paid dividends of \$18.01 per share, totaling \$200,000, to its stockholders of record on October 31, 2013.

On December 30, 2013, the Company paid dividends of \$20.25 per share, totaling \$225,000, to its stockholders of record on December 30, 2013.

The Company has evaluated subsequent events through January 8, 2014, the date which the financial statements were available to be issued.

# Great Harvest Bakeries List as of December 31<sup>st</sup>, 2013

## ALASKA

Barbara Hood & Dirk Sisson  
Metro Mall, 570 E. Benson  
Anchorage, AK 99503  
Bakery (907) 274-3331

Enc & Tncia Cray  
Alicia & Steve Sundborg  
36 College Road, Suite #4  
Fairbanks, AK 99701  
Bakery (907) 374-3900

## ARIZONA

Ward & Leslie Walston  
1730 E. Warner Rd  
Suite #1  
Tempe, AZ 85284  
Bakery (480) 777-1141

## CALIFORNIA

Shelley & Wade Overson  
1223 Mangrove Ave  
Chico, CA 95926  
Bakery (530) 899-7273

## SATELLITE

1141 Forest Ave  
Suite #60  
Chico, CA 95928  
Bakery (530) 345-7155

## SATELLITE

2760 Esplanade  
Suite #160  
Chico, CA 95973  
Bakery (530) 566-9605

Meredith Sumenek  
Eastvale, CA 92880  
msumenek@greatharvest.com  
Bakery not open yet

Dan and Jayme Richards  
850 E. Bidwell St  
Suite #145  
Folsom, CA 95630  
Bakery (916) 984-1830

Mike Marzouk 997 E  
Champlain Dr  
Suite #100  
Fresno, CA 93720  
Bakery (559) 434-6440

Brian & Christie Talbert  
Pleasanton, CA 94566  
cbtalbert@greatharvest.com  
Bakery not open yet.

Fawna & Gus Burgoyne  
930 Hilltop Drive  
Suite D  
Redding, CA 96003  
Bakery (530) 222-8083

Alicia & Brad Trevithick  
31795 Rancho California  
Temecula, CA 92591  
Bakery (951) 676-0550

Jim & Lupe Costello  
2092-H Newbury Rd  
Thousand Oaks, CA 91320  
Bakery (805) 376-0111

## COLORADO

Chen Miller  
7745 Wadsworth Blvd  
Arvada, CO 80003  
Bakery (303) 420-0500

Kevin & Chanel Peed  
2525 Arapahoe, Suite A4  
Boulder, CO 80302  
Bakery (303) 442-3062

Mark Jewell & Ainley Doyle-Jewell  
1466 Garden of the Gods  
Suite #148  
Colorado Spgs, CO 80919  
Bakery (719) 635-7379

## SATELLITE

12229 Voyager Parkway #140  
Colorado Spgs, CO 80921  
Bakery (719) 528-6442

Matt & Sheri Salis  
Belcaro Shopping Ctr  
765 South Colorado Blvd  
Denver, CO 80246  
Bakery (303) 778-8877

Julie Damschroder  
Scotch Pines Village  
2601 S. Lemay, Suite #1  
Ft. Collins, CO 80525  
Bakery (970) 223-8311

## SATELLITE

3600 S. College Ave  
Ft. Collins, CO 80525  
Bakery (970) 225-0353

Chad & Heidi Ragland  
The Grand Mesa Center  
2464 U S Hwy 6 & 50, #130  
Grand Junction, CO 81505  
Bakery (970) 241-0788

Matt & Rachel Fehr  
5910 S Univ Blvd #A-12  
Greenwood Village, CO 80121  
Bakery (303) 347-8767

Jim Hansman  
11068 West Jewell Ave  
Unit #C-7  
Lakewood, CO 80232  
Bakery (303) 716-0905

Jim Giveans  
1100 Ken Pratt Blvd  
Suite D  
Longmont, CO 80501  
Bakery (303) 772-9090

Kevin & Kelly Hartman  
347 East Main Street  
Montrose, CO 81401  
Bakery (970) 252-7152

## CONNECTICUT

Jean & Dale Roberts  
809 Main St.  
Manchester, CT 06040  
Bakery (860) 647-8837

Donna McNeill  
535 Boston Port Road  
Waterford, CT 06475  
Bakery (860) 339-5397

## DELAWARE

Robert & Kathy Cappiello  
4154 Ogletown-Stanton Rd  
Newark, DE 19713  
Bakery (302) 731-5623

## DISTRICT OF COLUMBIA

Russ & Lauren Klein  
russandlauren@yahoo.com  
Bakery not open yet.

## FLORIDA

Dirk & Jodi Henson  
820 Sadler Road  
Amelia Island, FL 32034  
Bakery (904) 277-4747

Claude Juneau  
Miami, FL  
claudajuneau@yahoo.com  
Bakery not open yet

## GEORGIA

Ray & Erika Boland  
10305 Medlock Bridge  
Suite A-4  
Johns Creek, GA 30097  
Bakery (770) 622-0222

Ray & Erika Boland  
Alpharetta, GA  
(770) 622-0222  
Bakery not open yet,

Bob & Cindy Mossey  
3894 Due West Rd  
Marietta, GA 30064  
Bakery (770) 421-9998

Carol Rutledge  
606 Broad Street  
Rome, GA 30161  
Bakery (706) 235-1662

LeeAnn Aldridge  
Janet Savadge  
7360 Skidaway Road  
Savannah, GA 31404  
Bakery (912) 777-7263

## HAWAII

Tyler Kimura  
4400 Kalaniana'ole, #7  
Honolulu, HI 96821  
Bakery (808) 735-8810

Arnold & Karen Morgado  
233 Merchant St  
Honolulu, HI 96813  
Bakery (808) 587-0017

Arnold & Karen Morgado  
1133 Bishop Street  
Honolulu, HI 96813  
Bakery (808) 545-5500

## IDAHO

Zach & Mallan England  
5608 Fairview Ave  
Boise, ID 83706  
Bakery (208) 377-5587

Will & Lauren Wood  
12570 W Fairview Ave  
Boise, ID 83706  
Bakery (208) 322-2378

Teresa Cipicchio  
3510 N Government Way  
Coeur d'Alene, ID 83814  
Bakery (208) 667-0606

Tiffani & John VanOrman  
360 A Street  
Idaho Falls, ID 83402  
Bakery (208) 522-7444

## SATELLITE

1505 E 17th St  
Idaho Falls, ID 83404  
Bakery (208) 542-0812

Chns Foulkrod  
250 N Main  
Pocatello, ID 83201  
Bakery (208) 234-2108

John & Ashlee Barnhill  
19 E Main Street  
Rexburg, ID 83440  
Bakery (208) 356-6579

Derek & Sophia Bates  
727 Blue Lake Blvd  
Twin Falls, ID 83301  
Bakery (208) 329-6253

## ILLINOIS

Rick & Anita Ashley  
1704 Eastland Dr  
Bloomington, IL 61704  
Bakery (309) 662-8500

Lisa & Richard Morgan  
2149 S Neil St  
Champaign, IL 61820  
Bakery (217) 398-5623

Dave & Liz Schaps  
2126 Central St  
Evanston, IL 60201  
Bakery (847) 866-8609

Marty & Kim Kane  
13 N 3rd St  
Geneva, IL 60134  
Bakery (630) 208-8080

Chns Wu  
Hoffman Estates, IL 60192  
chnsww@gmail.com  
Bakery not open yet.

# Great Harvest Bakeries List as of December 31<sup>st</sup>, 2013

Ben Bucher & Craig Janssen  
664 West Jackson  
Morton, IL 61550  
Bakery (309) 263-0300

Mike & Jo Anne Nikodem  
192 W Gartner  
Naperville, IL 60540  
Bakery (630) 369-5115

Martha Linderborg  
Mill Creek Shopping Ctr  
9646 W 131<sup>st</sup> St  
Palos Park, IL 60464  
Bakery (708) 361-6016

Ben Bucher & Craig Janssen  
9010 N Allen Rd  
Prairie Pointe Center  
Suite G  
Peoria, IL 61615  
Bakery (309) 589-0900

Barbara & Stephen Kaiser  
1668 N Alpine Rd  
Rockford, IL 61107  
Bakery (815) 395-6460

## INDIANA

Susan & Andrew James  
Crown Point, IN 46307  
SgJ663@aol.com  
Bakery not open yet.

Bonabeth Nishimura  
423 Metro Avenue  
Evansville, IN 47715  
Bakery (812) 476-4999

Mark McSweeney  
5060 E 62<sup>nd</sup> Street #124  
Indianapolis, IN 46220  
Bakery (317) 251-2222

Jerry & Janet Lecy  
1500 Kossuth Street  
Lafayette, IN 47905  
Bakery (765) 742-7323

## IOWA

Dion & Laurel Williams  
5070 Lindale Road NE  
Cedar Rapids IA 52402  
Bakery (319) 826-6257

## KANSAS

JoAnn & Bob Garrett  
807 Vermont  
Lawrence, KS 66044  
Bakery (785) 749-2227

Don & Cassandra Kinney  
4002 W 83<sup>rd</sup> Street  
Prairie Village, KS 66208  
Bakery (913) 381-8877

Sarah Burtch & Martha  
Peterson  
Topeka, KS 66611  
EKnightley@aol.com  
Bakery not open yet.

Tim & MariAnn Heeren  
535 N Woodlawn  
Wichita, KS 67206  
Bakery (316) 685-6455

## KENTUCKY

Yolanda & Dennis Niernan  
Palomar Centre  
3735 Palomar Centre Drive,  
Suite 130  
Lexington, KY 40513  
Bakery (859) 223-7603

## SATELLITE

2121 Richmond Rd Ste 100  
Lexington, KY 40502  
Bakery (859) 266-2915

Aimee & Greg Garrard  
3211 Fredenca St  
Owensboro, KY 42301  
Bakery (270) 691-0093

## LOUISIANA

J P & Michelle MacFadyen  
854A Kaliste Saloom Rd  
Lafayette, LA 70508  
Bakery (337) 236-8966

Bill & Renee O'Brien  
4700 Hwy22, #21  
Mandeville, LA 70471  
Bakery (985) 845-9431

## MARYLAND

Thomas & Pam Storm  
208 Ridgely Ave  
Annapolis, MD 21401  
Bakery (410) 268-4662

Pat & Jane Hipsley  
8835 Centre Park Drive  
Suite #104  
Columbia, MD 21045  
Bakery (443) 542-5912

Heather & Dan Gottfredson  
Federal Plaza, Suite N  
12268 Rockville Pike  
Rockville, MD 20852  
Bakery (301) 770-8544

## MASSACHUSETTS

Nicole Caron  
1736 Massachusetts Ave  
Lexington, MA 02420  
Bakery (781) 861-9990

Jim & Cheryl Celluci  
316 Walnut St.  
Newtonville, MA 02460  
Bakery (617) 928-1162

## MICHIGAN

Bob & Julia Messick  
2220 S Main St  
Ann Arbor, MI 48103  
Bakery (734) 996-8890

Tina & Kevin Yancey  
1137 S Adams  
Birmingham, MI 48009  
Bakery (248) 594-0505

Bob & Julia Messick  
416 W Main  
Brighton, MI 48116  
Bakery (810) 225-1400

Jim Payne  
3376 E West Maple Road  
Commerce Tnsp, MI 48390  
Bakery (248) 926-9848

Bob & Scott Sassack  
252 Perry Rd, Suite C  
Grand Blanc, MI 48439  
Bakery (810) 953-1197

David & Kristen Wisen  
120 Washington Street  
Grand Haven, MI 49417  
Bakery (616) 847-6700

Chad & Kristy Smith  
850 Forest Hill S E  
Suite B  
Grand Rapids, MI 49546  
Bakery (616) 942-0606

Jim & Louise Westcott  
1015 S Baldwin Road  
Lake Orion, MI 48360  
Bakery (248) 391-5144

Blake & Michelle Stormenoff  
6137 W Saginaw  
Lansing, MI 48917  
Bakery (517) 327-1088

David & Julie Cole  
139 E Main St  
Northville, MI 48167  
Bakery (248) 344-4404

Bill Jr & Angela Beck  
1919 W Grand River  
Okemos, MI 48864  
Bakery (517) 347-0022

Berny & Dave Hertzman  
Mark Jensen  
279 W Centre Ave  
Portage, MI 49024  
Bakery (269) 327-0820

Barry Troszak  
48923 Hayes  
Shelby Township, MI 48315  
Bakery (586) 566-9500

## MINNESOTA

Mike & Jordan O'Neill  
Blaine, MN 55449  
utzoneill@msn.com  
Bakery not open yet.

Karl Bouvin  
1100 E Cty Rd 42  
Suite 102  
Burnsville, MN 55337  
Bakery (952) 891-4767

Elizabeth & Ian Kidd  
3 South 13th Ave E  
Duluth, MN 55802  
Bakery (218) 728-9510

Jeff & Toni Fluke  
13714 Grove Drive  
Maple Grove, MN 55311  
Bakery (763) 416-1911

Sally Weissman & Tom  
Arundson  
4314 Upton Avenue S  
Minneapolis, MN 55410  
Bakery (612) 929-2899

Ruth Kloser  
17416 Minnetonka Blvd  
Minnetonka, MN 55345  
Bakery (952) 476-2515

Dan & Bridget Sweeney  
706 N Broadway  
Rochester, MN 55906  
Bakery (507) 286-1101

Bonnie Johnson Alton  
534 Selby Ave  
St Paul, MN 55102  
Bakery (651) 221-1057

Bob & Natasha Fleischman  
2510 Curve Blvd  
Stillwater, MN 55082  
Bakery (651) 351-0311

DeNae & Mike Hiltner  
135 W Division St  
Waite Park, MN 56387  
Bakery (320) 259-4622

## MISSISSIPPI

Paul Rankin  
5006 Parkway Drive  
Jackson, MS 39211  
Bakery (601) 956-4406

## MISSOURI

Tom & Judy Honigfort  
125 W Argonne Drive  
Kirkwood, MO 63122  
Bakery (314) 821-1848

Steve & Alecia Jawor  
7360 Manchester Road  
Maplewood, MO 63143  
Bakery (314) 991-0049

Donna & Mike Thibodeau  
3843 Mexico Rd  
St Charles, MO 63303  
Bakery (636) 939-4799

## MONTANA

Bryan & Susie Layton  
907 Poly Drive  
Billings, MT 59102  
Bakery (406) 248-8889

Enik & Jacki Yager  
701 W Main  
Bozeman, MT 59718  
Bakery (406) 582-8369

# Great Harvest Bakeries List as of December 31<sup>st</sup>, 2013

Bert & Paula Plattner  
Dale & Jennifer Gien  
1803 Harrison Ave  
Butte, MT 59701  
Bakery (406) 723-4988

Pete Rysted  
515 First Ave N  
Great Falls, MT 59403  
Bakery (406) 452-6941

Ray & Juliann Clum  
1133 Helena Ave  
Helena, MT 59601  
Bakery (406) 443-5623

Nancy Gordley & Amy Piont  
45 Heritage Way  
KalisPELL, MT 59901  
Bakery (406) 755-9733

Linda Tawney & Dave Scheel  
1407 S Higgins  
Missoula, MT 59801  
Bakery (406) 728-4549

## NEBRASKA

Manan & Dennis Cihacek  
Rockbrook Village  
10916 Elm St  
Omaha, NE 68144  
Bakery (402) 390-9988

## SATELLITE

4910 Underwood Ave  
Omaha, NE 68132  
Bakery (402) 551-8800

## SATELLITE

15623 West Dodge Rd  
Omaha, NE 68118  
Bakery (402) 932-0288

## NEVADA

Mike & Jodi Leishman  
2520 W Horizon Ridge  
Suite #160  
Henderson, NV 89052  
Bakery (702) 459-3663

Mark & Aimee Lott 661 Marks  
Street, Pad B  
Henderson, NV 89014  
Bakery (702) 454-1262

Dane Maruyama & Kimmi  
Dezell  
10180 W Tropicana Ave ,  
#131  
Las Vegas, NV 89147  
Bakery (702) 221-5623

Marcus & Tina Stewart  
4800 E Bonanza, Ste 8  
Las Vegas, NV 89110-3456  
Bakery (702) 452-9622

Marcus & Tina Stewart  
6475 North Decatur Blvd  
Las Vegas, NV 89131  
Bakery (702) 982-2465

## NEW HAMPSHIRE

Jeremy St Hilaire & Sterling  
Eanes  
4 Sunapee Street  
Nashua, NH 03063  
Bakery (603) 881-4422

## NEW MEXICO

Peggy & Bill Dial  
Suite #4, El Dorado Square  
11200 Montgomery NE  
Albuquerque, NM 87111  
Bakery (505) 293-8277

Kim & Tye Bell  
4009 East Main Street, Ste A  
Farmington, NM 87402  
Bakery (505) 327-4422

## NEW YORK

Craig Locke  
18 Buffalo Street  
Hamburg, NY 14075  
Bakery (716) 312-0810

Andy Pullano  
Twelve Corners Plaza  
1890 Monroe Avenue  
Rochester, NY 14618  
Bakery (585) 242-7544

## SATELLITE

210 Park Avenue  
Rochester, NY 14607  
Bakery (585) 697-0400

## NORTH CAROLINA

Tom & Paige Williams  
1220 NW Maynard Rd  
Cary, NC 27513  
Bakery (919) 460-8158

Jeff & Cathy Bailey  
Village Plaza-229 S Elliott Rd  
Chapel Hill, NC 27514  
Bakery (919) 932-1112

Jeff & Janet Ganoung  
King's Court Shopping Ctr  
901 S Kings Drive  
Charlotte, NC 28204  
Bakery (704) 333-0431

Jeff & Janet Ganoung  
The Shops at Piper Glen  
6420 Rea Road, Ste B6  
Charlotte, NC 28277  
Bakery (704) 543-5550

Deborah & Bob Hamilton  
Gail Flythe  
1824 East Arbors Drive #390  
Charlotte, NC 28262  
Bakery (704) 971-7280

Tim & Cyndy Murphy  
2711 Raeford Rd , Suite 112  
Fayetteville, NC 28303  
Bakery (910) 323-9955

Tim & Melissa Taylor  
Bryan & Michele Jones  
1721 East Ash Street  
Goldsboro, NC 27408  
Bakery (919) 288-2401

Kevin & Shelia Barth  
2715 A Grandview Ave  
Greensboro, NC 27408  
Bakery (336) 855-3853

Dee & Bernie O'Connor  
8801-119 Lead Mine Rd  
Raleigh, NC 27615  
Bakery (919) 845-8122

Suzanne & John Palmer  
5327 Oleander Dr , Suite 100  
Wilmington, NC 28403  
Bakery (910) 793-2330

## NORTH DAKOTA

Scott & Susan Bates  
1523 University Drive S  
Fargo, ND 58103  
Bakery (701) 293-9382

## OHIO

Andrew & Robert Cuttica  
7684 Market Street  
Boardman, OH 44512  
Bakery (330) 629-9600

Fred, Tony & Kris Lancica  
9254 Mentor Ave  
Mentor, OH 44060  
Bakery (440) 205-8199

Debbie & Rick Sands  
4058 Fishcreek  
Stow, OH 44224  
Bakery (330) 688-8894

Mike & Shawn Borden  
4723 Reed Rd  
Upper Arlington, OH 43220  
Bakery (614) 457-9800

Jim & Debbie Horstman  
445 S State St  
Westerville, OH 43081  
Bakery (614) 899-6100

## OKLAHOMA

Joel & Terr Roark  
5203 S Sheridan  
Tulsa, OK 74145  
Bakery (918) 878-7878

## OREGON

Cloyd Robinson  
835 N W Bond St  
Bend, OR 97701  
Bakery (541) 389-2888

Jim & Robin Condie  
8926 SE Sunnyside Rd  
Clackamas, OR 97015  
Bakery (503) 659-5392

Travis & Michelle Pindell  
134 SW First Street  
Corvallis, OR 97333  
Bakery (541) 754-9960

Kathy Kentta Robinson  
2564 Willamette St  
Eugene, OR 97405  
Bakery (541) 345-5398

Emily Kneg & Michael Muth  
2105 NW 185<sup>th</sup>  
Hillsboro, OR 97124  
Bakery (503) 466-1112

Bill & Nancy Cunningham  
1135 S W Baker Street  
McMinnville, OR 97128  
Bakery (503) 472-0747

Lisa & Dan Allen  
310 Genessee St  
Medford, OR 97504  
Bakery (541) 245-3310

Jane & Tim Hartfield  
810 S W 2<sup>nd</sup>  
Portland, OR 97204  
Bakery (503) 224-1532

Julie & Mike Scheel  
339 Court Street N E  
Salem, OR 97302  
Bakery (503) 363-4697

Julie & Mike Scheel  
3405 Commercial Dr SE  
Salem, OR 97302  
Bakery (503) 363-3215

Julie & Mike Scheel  
525 Taggart Dr, NW  
West Salem, OR 97304  
Bakery (503) 363-7555

## PENNSYLVANIA

Jessica & Darron Smith  
George & Judith Pierson  
2838 S Eagle Rd  
Newtown, PA 18940  
Bakery (215) 579-8701

Tom Katsafanas & Erin  
Koebler  
Pittsburgh, PA  
a katsafanas@sbcglobal net  
ennjk9@sbcglobal net  
Bakery not open yet.

Darren Henderson & Debbie  
Zyskowski  
128 E Lancaster Ave  
Wayne, PA 19087  
Bakery (610) 975-0200

## SATELLITE

933 Baltimore Pike  
Glen Mills, PA 19342  
Bakery (610) 459-1499

# Great Harvest Bakeries List as of December 31<sup>st</sup>, 2013

## RHODE ISLAND

Paul DiBiase  
6670 Post Road  
North Kingstown, RI 02852  
Bakery (401) 885-0580

## SOUTH CAROLINA

Mike & Tracy Vanzura  
1467-B Woodruff Rd  
Greenville, SC 29607  
Bakery (864) 286-6944

Germaine & Jerry Ward  
644 H-1 Long Point Rd  
Mount Pleasant, SC 29464  
Bakery (843) 881-7310

## SOUTH DAKOTA

Rob & Marsha Hengen  
721 Omaha Street  
Rapid City, SD 57701  
Bakery (605) 791-5623

Craig Snyder  
Bart Roberts  
Cari Snyder  
4813 S Louise Ave  
Sioux Falls, SD 57106  
Bakery (605) 274-6222

## TENNESSEE

Jim & Loretta Kmet  
120 South Jefferson Ave  
Cookeville, TN 38501  
Bakery (931) 525-5623

Randi & Gary Mott  
3900 Hillsboro Pike  
Suite #32  
Nashville, TN 37215  
Bakery (615) 298-1032

## TEXAS

Lorraine & Stewart Dickson  
3201 Bee Cave Rd  
Suite 126  
Austin, TX 78746  
Bakery (512) 329-9216

## SATELLITE

4815 W Braker Lane #550  
Austin, TX 78759  
Bakery (512) 345-0588

Dana, Diane & Heidi Roark  
1623 So Fry Road  
Katy, TX 77450  
Bakery (281) 578-3097

Logan & Enc Despain  
1201 East Spring Creek Pkwy  
#C-100  
Plano, TX 75074  
Bakery (972) 578-5051

Heather & Kent Gottfredson  
20079 Stone Oak Parkway  
San Antonio, TX 78258  
Bakery (210) 481-7849

Heather & Kent Gottfredson  
2267 NW Military Hwy  
Suite 109B  
San Antonio, TX 78213  
Bakery (210) 348-9870

Deb & Marty Fox  
6700 Woodlands Parkway  
#220  
The Woodlands, TX 77381  
Bakery (281) 362-1343

## UTAH

Jeff Turpin  
43 East 500 South  
Bountiful, UT 84010  
Bakery (801) 296-2524

Jeff Buccambuso  
126 North Main, #C3  
Cedar City, UT 84720  
Bakery (435) 865-6848

Sean & Melanie Elm  
2201 N 2000 W  
Clinton, UT 84015  
Bakery (801) 773-5459

Jason & Natalie Pennock  
217 E 12300 S  
Suite J 5  
Draper, UT 84020  
Bakery (801) 572-3373

Cathy & Bourke Tarbet  
96 North Main  
Layton, UT 84041  
Bakery (801) 614-0304

Jason & Lindsay Owen  
101 North 1200 East #A-1  
Lehi, UT 84043  
Bakery (801) 407-3949

Lisa & James Clawson  
37 W Center  
Logan, UT 84321  
Bakery (435) 787-4442

Melanie & Sean Elm,  
1231 E 4800 S  
Ogden, UT 84403  
Bakery (801) 476-4605

Teri & Enc Zenger  
Chris Zenger  
272 25th St.  
Ogden, UT 84401  
Bakery (801) 394-6800

## SATELLITE

2003 N Washington Blvd  
North Ogden, UT 84414  
Bakery (801) 782-3677

Joe & Lisa Rich  
6541 Landmark Drive  
Park City, UT 84098  
Bakery (435) 655-7244

Jane & Steve Owen  
1774 N University Pkwy #48  
Provo, UT 84604  
Bakery (801) 373-9816

Stephen Washburn  
Peggy McVea  
4667 South 2300 East  
Salt Lake City, UT 84117  
Bakery (801) 277-3277

Shelly & Tom Cordova  
905 East 900 South  
Salt Lake City, UT 84105  
Bakery (801) 328-2323

Shelly & Tom Cordova  
2066 South 2300 East  
Salt Lake City, UT 84109  
Bakery (801) 487-2121

Sherr & Brett Remund  
140 N 400 W  
St George, UT 84770  
Bakery (435) 674-2952

JoEllen & Rand Kunz  
5592 S Redwood Rd  
Taylorsville, UT 84123  
Bakery (801) 966-9699

Scott McKee  
Vernal, UT  
Scott.mckee@aggiemail.usu.edu  
Bakery not open yet.

## VERMONT

Ethan Brown & Sarah  
Goodwin  
382 Pine Street  
Burlington, VT 05401  
Bakery (802) 660-2733

## VIRGINIA

Anwar Maysaud  
1711 Centre Plaza  
Alexandria, VA 22302  
Bakery (703) 671-8678

Anwar Maysaud  
6013-C Wilson Blvd  
Arlington, VA 22205  
Bakery (571) 335-4680

Tim & Jessie Groszkowski  
44260 Ice Rink Plaza, Ste  
117  
Ashburn, VA 20147  
Bakery (703) 574-2461

Jeanette Moler  
6030-G Burke Commons Rd  
Burke, VA 22015  
Bakery (703) 249-0044

## SATELLITE

9000-S Lorton Station Blvd  
Lorton, VA 22079  
Bakery (703) 372-2339

Matt Monson & Kath Younger  
1701 Allied Lane  
Charlottesville, VA 22903  
Bakery (434) 202-7813

Tim & Jessie Groszkowski  
785 Station St  
Herndon, VA 20170  
Bakery (703) 471-4031

## SATELLITE

132 Church St NW  
Vienna, VA 22180  
Bakery (703) 938-0921

June Bergeron  
9369 Atlee Road #3107  
Mechanicsville, VA 23116  
Bakery (804) 277-8726

Paul Warner  
Richmond, VA  
paulkwarner@vencor.net  
Bakery not open yet.

Pablo & Lynda Teodoro  
108 Main Street  
Warrenton, VA 20186  
Bakery (540) 878-5200

## AREA DEVELOPMENT AGREEMENT

Pablo & Lynda Teodoro  
Gainesville, VA  
warrentonbread@gmail.com

## WASHINGTON

Mark & Jackie Winkler  
2218 N W Market Street  
Ballard, WA 98107  
Bakery (206) 706-3434

Wendy Scheel  
Loehmann's Plaza  
3610 C Factoria Blvd SE  
Bellevue, WA 98006  
Bakery (425) 643-8420  
(703) 671-8678

Rene & Hans Wendt  
305 E Magnolia  
Bellingham, WA 98225  
Bakery (360) 671-0873

Bryan, Ken & Carol Tacke  
31889 Gateway Ctr Blvd S  
Federal Way, WA 98003  
Bakery (253) 529-2177

Mike & Kam Stoker  
8378 W Grandridge Blvd  
Kennewick, WA 99336  
Bakery (509) 737-7437

Keith Scheel  
Bear Creek Village  
17192 Redmond Way  
Redmond, WA 98052  
Bakery (425) 883-6909

# Great Harvest Bakeries List as of December 31<sup>st</sup>, 2013

Zach & Kate Bass  
Lake Forest Pk Town Ctr,  
#F121  
17171 Bothell Way NE  
Seattle, WA 98155  
Bakery (206) 365-4778

Tjaden & Alycia Pals  
4709 California Ave S W  
Seattle, WA 98116  
Bakery (206) 935-6882

Ross Umbdenstock  
East 2530 29th  
Spokane, WA 99223  
Bakery (509) 533-6645

Karen & Steve McDougall  
3800 Bndgeport Way  
Suite C  
University Place, WA 98466  
Bakery (253) 472-2311

David & Rebecca Juarez  
13215 SE Mill Plain Blvd  
Ste C5  
Vancouver, WA 98684  
Bakery (360) 859-3481

Chns Skalisky  
1048 Springwater Ve  
Wenatchee, WA 98801  
Bakery (509) 888-3912

## WISCONSIN

Kevin & Melissa Lisowe  
1033 W Northland Ave  
Appleton, WI 54914  
Bakery (920) 731-2112

Jon Rasmussen  
603 Genesee Street  
Delafield, WI 53018  
Bakery (262) 337-9023

John Skymms  
802 George St  
De Pere, WI 54115  
Bakery (920) 336-9111

Ten & Steve Neumann  
4324 Southtowne Place  
Eau Claire, WI 54701  
Bakery (715) 552-8000

Jon Cerny  
13404 Watertown Plank Rd  
Elm Grove, WI 53122  
Bakery (262) 821-0118

Jennifer Williamson  
La Crosse, WI 54603  
Williamson31@gmail.com  
Bakery not open yet.

Ryan Gajewski  
Madison, WI 53719  
ryangajewski@gmail.com  
Bakery not open yet.

Kevin & Melissa Lisowe  
116 W Wisconsin Ave  
Neenah, WI 54956  
Bakery (920) 727-0135

MaryAnn & Richard Glime  
Wisconsin Dells, WI  
glimefamily@gmail.com  
Bakery not open yet.

## WYOMING

Michel Skaf  
Tony Skaf & Karne Amour  
428 S Durbin St Ste #101  
Casper, WY 82601  
Bakery (307) 337-4286

Dwight & Sharon Cockrell  
5249 Yellowstone Road  
Cheyenne, WY 82009  
Bakery (307) 426-4055

Jack & Lisa Needy  
155 Center Street  
Jackson, WY 83001  
Bakery (307) 734-8227

As of December 31<sup>st</sup>, 2013  
209 open bakeries  
16 (not open yet)  
1 ADA

226 -Total in System in 46  
states

Our Office Address  
Great Harvest Franchising  
28 South Montana St.  
Dillon, MT 59725  
Ph 1-800-442-0424

***EXHIBIT E***

***AMENDMENT FOR RENEWAL OF FRANCHISE AGREEMENT***

## ***Amendment for Renewal of a Great Harvest Franchise Agreement***

This Amendment for Renewal of a Great Harvest Franchise Agreement amends the Franchise Agreement entered into on this same date by the undersigned parties (the "Franchise Agreement") The following modification shall apply

### ***Delete First Year Promises***

Paragraphs FYP 1 through FYP 11 in the Franchise Agreement are all deleted to make the Agreement appropriate for renewal of an existing franchise agreement

### ***Continuing fee***

The continuing fee rate of "seven percent (7%)" set forth in Section C7 Continuing fees, shall not apply Instead, either a) or b) below, as is appropriate for the circumstances of this renewal, shall apply

- a) During the term of this Agreement your continuing fee rate shall be \_\_\_\_% of your total Gross Sales
- b) During the first 5 years of the term of this Agreement your continuing fee rate shall be \_\_\_\_% of your total Gross Sales This rate will be effective for five (5) years from the effective date of this Agreement

During the second half of the term of this Agreement your continuing fee rate shall be \_\_\_\_% of your total Gross Sales This rate will be effective for five (5) years beginning on the fifth anniversary of the effective date of this Agreement and will continue for the balance of the term of this Agreement

**If eligible for the 4% continuing fee, the following section will be used instead of (b) above:**

- b) During the first \_\_\_\_ years of the term of this Agreement your continuing fee rate shall be \_\_\_\_% of your total Gross Sales. This rate will be effective for \_\_\_\_ years from the effective date of this Agreement

During the remainder of the term of this Agreement your continuing fee rate shall be 4% of your total Gross Sales once all the following conditions are met.

- This Bread Company has been owned by the same majority owner who has been active in the operations of the business for not less than fifteen years. (The one exception to this requirement is described in clause C20 in the paragraph titled "If you want to sell to your kids ") We may revise this requisite period of ownership after our periodic consultation with the Franchise Agreement Board, but it will not exceed 15 years
- You have maintained an annual gross sales level of not less than \$350,000 for either six of the previous fifteen years or four of the last five years We may revise this requirement after our periodic consultation with the Franchise Agreement Board
- Both parties agree that the fundamental Great Harvest services, including but not limited to, use of the Great Harvest System, access to group buying and wheat, and access to the learning community will continue to be available to you Other services, which we will designate from time to time and normally make available as part of our continuing obligation to you will be made available to you for a fee.

This rate will be effective from \_\_\_\_\_ and will continue for the balance of the term of this Agreement



In the second paragraph of Section C7 Continuing fees, the second, third and fourth bullet points shall be deleted

**Note: if the franchisee has a satellite location, the following section will be included in this amendment:**

In the second to last paragraph of Section C7 Continuing fees, the third sentence shall be deleted and replaced with the following sentence:

Gross Sales also include all retail or off premises sales of Bread Company products, whether sold on premises or off, all sales from Satellites, and any other sales of any kind associated with the Great Harvest System or as part of your Bread Company

### ***Territory***

Your territorial rights are described in section C5 of the Franchise Agreement and drawn on the attached map

### ***Mutual General Release***

By signing this amendment, you also agree to sign the Mutual General Release Agreement we've provided you with this document

**Note: if the franchisee has a satellite location, the following section on Insurance will be included in this amendment:**

### ***Insurance***

The last sentence of Section C11 Insurance shall be deleted and replaced with the following sentence

In the event that you operate an additional or satellite location, you will expand the above coverage to include that location

In all other respects, the terms of the Agreement shall remain enforceable between the parties

GREAT HARVEST FRANCHISING, INC

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

BREAD COMPANY OWNER.

By \_\_\_\_\_

And by \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

***EXHIBIT F***

***AMENDMENT FOR AN ADDITIONAL BREAD COMPANY***

## ***Amendment for an Additional Bread Company***

This Amendment for an Additional Bread Company amends the Franchise Agreement entered into on this same date by the undersigned parties (the "Franchise Agreement") You paid an Initial Fee of \$8,000 at the time you submitted your Franchise Agreement, and we acknowledge receiving this amount

We will give you a \$2,000 rebate upon the purchase and installation of approved exterior signage before opening The new signage must be approved by us, in writing, before purchase and installation If the signage is not approved by us or installed before opening, you are not eligible for the rebate

We will give you a \$3,000 rebate upon your compliance with both of these pre-opening requirements:

- Send us your Certificate of Occupancy (or comparable local licensing requirement) at least 10 days before your opening date
- Send us a video of the exterior and interior of your unopened Bread Company that meets our pre-opening requirements (defined in your tracking guide) at least 10 days before your opening date

If you do not want a trainer on-site during your opening, you still must meet these requirements in order to receive the rebate, but we will reduce the deadline to 4 days before opening in this specific case because we do not need to coordinate travel schedules. If any of these conditions are not met before opening, you are not eligible for the rebate

### ***Delete First Year Promises***

Sections FYP 1, FYP 4 through FYP 7, FYP 9 through FYP 11 in the Franchise Agreement are all deleted to make the Agreement appropriate for the opening of an additional bread company.

### ***Confidential Start-up Kit and Training***

We will provide you with a numbered copy or access to the electronic files of the Great Harvest Confidential Start-Up Kit shortly after signing this Agreement. This Kit is yours to keep as long as you are a Great Harvest bread company owner Many of its materials are most useful during start-up Because of this, we do not update your original Start-Up Kit as new information becomes available but disseminate new ideas to all the bread companies through other means You agree never to copy or otherwise communicate any part of the Kit to anyone except another Signed Great Harvest Insider

Depending on the experience of the owners for the Bread Company we may require you to complete similar training as required for first time owners The following training is required (or recommended)

*Note This language will be used for franchisees signing an additional Franchise Agreement with Great Harvest Franchising where all parties are already on an effective Franchise Agreement*

- Franchisees who have not previously attended the five-day Bread Week training in Dillon, MT are strongly recommended to do so

*Note This language will be used for franchisees signing an additional Franchise Agreement with Great Harvest Franchising where the parties consist of franchisees already on an effective Franchise Agreement and outsiders*

- \_\_\_\_\_ (list the outsiders' names) will be required to complete all of the Great Harvest University training (specifically the owner with the most direct operating responsibility.)

### ***Services Provided***

We will provide you with the following services

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The low-priced initial fee, lower royalty and these limited services are provided based on the assumption that you are an experienced Bread Company owner. In some cases, "you" may be a combination of experienced owners and new owners working together to open this Bread Company. While we provide some services (listed here) for an additional bread company, we expect the experienced owners to provide adequate training for any new owner partners. If we determine that the new owners have not been or will not be receiving adequate training and support (especially at opening,) we will provide the necessary training and we will require the experienced owners who are a party to this Agreement to reimburse us for our associated costs.

### ***Termination***

If you elect to terminate your Franchise Agreement prior to opening your Additional Bread Company, we will keep \$3,000 of the \$8,000 Additional Fee and refund \$5,000 back to you.

If a termination of this Franchise Agreement takes place, you will not be allowed to expand or challenge other applications within or surrounding the defined Search Area for a period of two years from the effective termination date.

### ***Territory***

You have the option to request a territory based on 100,000 people or 300,000 people. After you sign a lease, a map of your territory will be sent to you.

### ***Continuing fee***

*Note: This language will be used for franchisees signing their first Franchise Agreement with Great Harvest Franchising after January 31, 2005, and it will be optional for franchisees who signed a Franchise Agreement prior to January 31, 2005.*

In accordance with the Franchise Agreement provisions and our policies regarding Additional Bread Companies, Section C7 Continuing fee, shall be amended once you sign a lease or purchase a building to reflect one of the appropriate scenarios described below. You and we agree to the following modifications to the Franchise Agreement:

#### **Inside Existing Territory Definition:**

If your Additional Bread Company is located inside your existing bakery's Hard Line Territory or other territory definition, your Continuing fee and timeline will be the same (not to exceed 6%) as the existing bakery. In this case, the first portion of Section C7, Continuing fee, shall be replaced with the following sentences:

A key component of this franchise relationship is the fact that we own a valuable piece of intellectual property, the Great Harvest System, and you pay us a monthly continuing fee to use this property. You agree to pay to us a monthly continuing fee equal to xxxx percent (x%) of the Gross Sales of your Bread Company, payable from the first day that bread is sold.

*Depending on the royalty rate, the following sentences may also be included:*

Your continuing fee will be reduced to xxxx (x%) on \_\_\_\_\_ (date) or upon the renewal of this Agreement, if all of the individuals required to attend Dillon Learning Week have attended and you are in full compliance with all your obligations to us. If we do not believe that you are in full compliance or the Dillon Learning Week requirement has not been met, then the continuing fee will remain at xxx percent (x%).

**Outside Existing Territory Definition:**

If your Additional Bread Company is located outside of your existing bakery's Hard Line Territory or other territory definition, the first portion of Section C7, Continuing fee, shall be replaced with the following sentences

A key component of this franchise relationship is the fact that we own a valuable piece of intellectual property, the Great Harvest System, and you pay us a monthly continuing fee to use this property. You agree to pay to us a monthly continuing fee equal to six percent (6%) of the Gross Sales of your Bread Company, payable from the first day that bread is sold. We will reduce your continuing fee by one percentage point to five percent (5%), upon the renewal of this Agreement and if all of the individuals required to attend Dillon Learning Week have attended and you are in full compliance with all your obligations to us. If we do not believe that you are in full compliance or the Dillon Learning Week requirement has not been met, then the continuing fee will remain at 6%.

*Note This language will be used for franchisees who signed a Franchise Agreement with Great Harvest Franchising prior to January 31, 2005, unless they choose the optional language in the preceding section.*

The first portion of Section C7, Continuing fee, is deleted and replaced with the following sentences.

A key component of this franchise relationship is the fact that we own a valuable piece of intellectual property, the Great Harvest System, and you pay us a monthly continuing fee to use this property. You agree to pay to us a monthly continuing fee equal to six percent (6%) of the Gross Sales of your Bread Company, payable from the first day that bread is sold. We will reduce your continuing fee by one percentage point to five percent (5%), upon the renewal of this Agreement and if all of the individuals required to attend Dillon Learning Week have attended and you are in full compliance with all your obligations to us. If we do not believe that you are in full compliance or the Dillon Learning Week requirement has not been met, then the continuing fee will remain at 6%.

***Waiver to mill off-premises***

If you do not have an operation mill on-site, you have our permission to mill off-premises. However, you may not bake or sell products made from whole wheat flour that is more than four (4) days old.

***Selling your Bread Company***

The first paragraph of Section C23, Selling your Bread Company, will be deleted and replaced with the following paragraph

We have an interest in who is in the Great Harvest family. We chose you because of your character, experience, attitude and financial capacity. We approved your application for expansion and allowed this Bread Company to be located near your other bread company(ies) based on common ownership. Accordingly, if you want to sell or transfer any part of this Agreement, the franchised business, or the Bread Company's assets, the sale or transfer is subject to our approval. None of your owners may sell or transfer an ownership interest in you (if you are a corporation or other legal entity) without our approval. We may require, at our sole discretion, that bread companies with separate franchise agreements are sold together to retain common ownership in the future, and you agree this is not unreasonable. We will not unreasonably withhold our approval. Some of the things we'll be looking for follow:  
(see second paragraph in C23 for the continuation of this section)

### ***Required Approvals***

You agree to send us a copy of your lease terms before you sign a lease. Per Section FYP 8, you agree you will not sign a lease for a location we have not approved. You also agree to send us drawings of your signage before you buy your signs for our approval (see Section C13 )

In all other aspects the terms of the Franchise Agreement shall remain enforceable between the parties.

**GREAT HARVEST FRANCHISING, INC**

By \_\_\_\_\_

Title. \_\_\_\_\_

Date. \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER:**

By \_\_\_\_\_

And by \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

***EXHIBIT G***

***AMENDMENTS FOR  
RENEWAL OF A SATELLITE LOCATION***

## ***Amendment for Renewal of a Satellite Location***

This is the \_\_\_\_\_ renewal of the Amendment for a Satellite Location which is part of the Great Harvest Franchising, Inc. Franchise Agreement dated \_\_\_\_\_, between **Great Harvest Franchising, Inc.**, a Montana corporation, and \_\_\_\_\_ (the "Franchise Agreement") The effective date of this Amendment is \_\_\_\_\_

A "Satellite" is defined as any retail location using the Great Harvest name other than your Bread Company, which is leased, owned, or otherwise controlled by you and open 190 days or more of the year, to which you deliver fully-baked bread and other products from your Bread Company. Sweets or batter breads may be baked at the satellite location instead of delivered. Your current Satellite is located at \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

We hereby grant you the right to continue to operate your Satellite at the above location as follows

### ***Term***

The term of this Amendment for Renewal of a Satellite Location shall be the same as the Franchise Agreement, and will terminate or expire if the Franchise Agreement terminates or expires without renewal.

### ***Moving***

To move your Satellite, you need to obtain our prior written permission. If you propose moving within your current territory to a location that is not located in the outer 33% of your Hard Line Territory (per Section C5), our permission will not be unreasonably withheld, but we may require a location hunt at our expense and you will be subject to the policies then in place for Satellites. If you propose moving to any other location, you will follow our then-current application process. Approval to move is not guaranteed under this Agreement. We require you have your new location open within three months of closing your original location, unless further extended by us in writing.

### ***Territorial rights***

For each Great Harvest Bread Company and Satellite location we grant territorial rights so that Great Harvest bread companies are located a healthy distance from each other. We promise that we shall not ourselves develop, or authorize third parties to develop, any Great Harvest retail business that would be located within your Satellite Territory.

Your Satellite Territory will preferably be defined as a circular area using your Satellite location as the center point. The area will be the smaller of (i) a circle containing an estimated population of 100,000 people or (ii) a circle with a ten-mile radius. The minimum size of the circle radius in areas of relatively dense population will be two miles. This territory may overlap your Bread Company's existing Hard Line Territory. However, should a preliminary drawing of a circular Satellite Territory, using your Satellite location as the center point, overlap or border any surrounding search areas, territories or area development agreements, then we will adjust your Satellite Territory. The resulting Satellite Territory may not be a circle and your satellite may not be in the center, but your Satellite Territory will be drawn so that your



satellite's location is not in the outer 33% of your Satellite Territory. The outer 33% will be defined by drawing a line that parallels the boundary of your Satellite Territory approximately 67% of the radius from the center of your Territory. It is not the outer 33% of the area of your Satellite Territory. We may also adjust the perimeter of the Satellite Territory to fit available natural or jurisdictional boundaries. The resulting adjusted area will be your Satellite Territory. We may revise the 33% limitation after our periodic consultation with the Franchise Agreement Board.

Your territories for the main bread company and this satellite are drawn on the attached map.

### ***Continuing fee***

You agree to pay the same Continuing Fee as described in the Franchise Agreement. All gross sales for your Satellite will be listed separately on the Gross Sales Report that we provide to you and will be due according to the continuing fee policy under your Franchise Agreement.

### ***Additional clauses***

You agree to send us a copy of your lease terms and signature page upon each renewal of your lease.

All standards of the Franchise Agreement that refer to Bread Company operations and the quality of bread products will also apply to the operation of the Satellite location.

All standards relating to the display and use of trademarks will apply to all signs, printed materials, and advertising used at the Satellite location.

To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Amendment will govern.

GREAT HARVEST FRANCHISING, INC.

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

BREAD COMPANY OWNERS.

By \_\_\_\_\_

And by \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

## ***Amendment for Renewal of a Satellite Location***

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The effective date of this Amendment is \_\_\_\_\_.

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

We hereby grant you the right to continue to operate your Satellite at the above location as follows

### ***Term***

The term of this Amendment for Renewal of a Satellite Location shall be the same as the Franchise Agreement, and will terminate or expire if the Franchise Agreement terminates or expires without renewal

### ***Moving***

To move your Satellite, you need to obtain our prior written permission If you propose moving within your current territory to a location that is not located in the outer 33% of your Hard Line Territory (per Section C5), our permission will not be unreasonably withheld, but we may require a location hunt at our expense and you will be subject to the policies then in place for Satellites If you propose moving to any other location, you will follow our then-current application process Approval to move is not guaranteed under this Agreement. We require you to have your new location open within three months of closing your original location, unless further extended by us in writing

### ***Territorial rights***

For each Great Harvest Bread Company and Satellite location we grant territorial rights so that Great Harvest bread companies are located a healthy distance from each other We promise that we shall not ourselves develop, or authorize third parties to develop, any Great Harvest retail business that would be located within your Satellite Territory

Your Satellite Territory will preferably be defined as a circular area using your Satellite location as the center point The area will be the smaller of (i) a circle containing an estimated population of 300,000 people or (ii) a circle with a ten-mile radius The minimum size of the circle radius in areas of relatively dense population will be two miles This territory may overlap your Bread Company's existing Hard Line Territory. However, should a preliminary drawing of a circular Satellite Territory, using your Satellite location as the center point, overlap or border any surrounding search areas, territories or area development agreements, then we will adjust your Satellite Territory The resulting Satellite Territory may not be a circle and your satellite may not be in the center, but your Satellite Territory will be drawn so that your satellite's location is not in the outer 33% of your Satellite Territory The outer 33% will be defined by drawing a line that parallels the boundary of your Satellite Territory approximately 67% of the radius from the center of your Territory. It is not the outer 33% of the area of your Satellite Territory We may also adjust the perimeter of the Satellite Territory to fit available natural or jurisdictional boundaries. The

resulting adjusted area will be your Satellite Territory We may revise the 33% limitation after our periodic consultation with the Franchise Agreement Board.

Your territories for the main bread company and this satellite are drawn on the attached map.

### ***Continuing fee***

You agree to pay the same Continuing Fee as described in the Franchise Agreement All gross sales for your Satellite will be listed separately on the Gross Sales Report that we provide to you and will be due according to the continuing fee policy under your Franchise Agreement

### ***Additional clauses***

You agree to send us a copy of your lease terms and signature page upon each renewal of your lease

All standards of the Franchise Agreement that refer to Bread Company operations and the quality of bread products will also apply to the operation of the Satellite location

All standards relating to the display and use of trademarks will apply to all signs, printed materials, and advertising used at the Satellite location.

To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Amendment will govern

GREAT HARVEST FRANCHISING, INC.

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

BREAD COMPANY OWNERS:

By \_\_\_\_\_

And by. \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

***EXHIBIT H***  
***GUARANTY AGREEMENT***

*When you sign agreements with Great Harvest, you do so as people. If you fail to comply with the terms of the Franchise Agreement, we can hold you – as people – responsible for your actions. If you incorporate your Bread Company, however, we find ourselves dealing with a corporation which is harder to hold accountable legally. Consequently, if you want to incorporate your business – for tax and other liability reasons – we ask you to sign the following agreement where you agree to be responsible to us personally for complying with the terms of the Franchise Agreement*

## **GUARANTY AGREEMENT**

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This Agreement is between Great Harvest Franchising, Inc., a Montana corporation whose principal place of business is in Dillon, Montana (hereafter “we” or “us” or “our”) and \_\_\_\_\_ (hereafter “you”) as an owner and/or officer of \_\_\_\_\_, a(n) \_\_\_\_\_ corporation (hereafter “your corporation”).

In consideration of us accepting your corporation’s Franchise Agreement and for other good and valuable consideration, you guarantee to us the following:

1. That your corporation will personally pay and satisfy, or if it does not, you will personally pay and satisfy every claim made by us against it so long as these obligations are consistent with agreements signed by both you and us. This includes any expenses, damages and fees that are due or may become due to us by your corporation.
2. You will personally perform in a timely manner the same promises your corporation made in the Franchise Agreement including, but not limited to, the terms in the Franchise Agreement relating to non-competition and confidentiality.
3. If we are required to use an attorney to enforce this guaranty, you agree to pay all court costs and reasonable Attorney’s Fees along with any expenses we may incur trying to compel you to satisfy the terms of your corporation’s Franchise Agreement with us.

This guaranty extends throughout the life of the contractual relationship between your corporation and us, including the length of the Franchise Agreement and any subsequent renewals of, amendments to, or changes to that Franchise Agreement. The Franchise Agreement now and into the future will be presumed to be covered by this guaranty even

if any of these renewals, amendments or changes to the Franchise Agreement involve execution of new contracts. We do not have to notify you or ask you to sign any additional guaranty documents for this guaranty to continue to apply to the Franchise Agreement now and into the future

We may without asking you do the following:

1. Change the manner, terms of payment or change or extend the time of payment between you and us consistent with our rights as defined by the Franchise Agreement.
- 2 Settle or compromise any liabilities guaranteed by this Agreement.

This agreement does not affect our right to terminate the Franchise Agreement consistent with our promises to your corporation in the Franchise Agreement. Also this Agreement will remain in effect even if the Franchise Agreement between your corporation and us is terminated, expires or is cancelled.

You agree that we don't have to first sue you or your corporation to enforce this Guarantee's terms. You also agree that this Guaranty is non-revocable, except with the express written consent of us. If you are more than one person – as might be the case if a husband and wife co-signed this Guaranty – you agree you are both liable for 100% of the terms of this Agreement even if the other of you two fails to meet their obligations under the terms of this Guaranty.

WITNESS our hands at \_\_\_\_\_, on this \_\_\_\_ day of \_\_\_\_\_, 2014.

Witnessed by: \_\_\_\_\_

\_\_\_\_\_  
Owner of \_\_\_\_\_% interest in  
Franchisee

Witnessed by: \_\_\_\_\_

\_\_\_\_\_  
Owner of \_\_\_\_\_% interest in  
Franchisee

***EXHIBIT I***

***TABLES OF CONTENTS FOR  
CONFIDENTIAL START-UP MATERIALS,  
TRACKING GUIDE,  
AND  
FIRST YEAR GUIDELINES***

### **List of Confidential Start Up Materials Breadboard Links**

**Bakery:** \_\_\_\_\_

- Introduction Letter
- The Tracking Guide
- Equipment Guide
- Location Hunting Guide
- Bookkeeping for Bakers
- Merchandising Manual
- Holiday Planning Guide
- Pricing Manual
- Video's
- Creating a WOW Customer Service Experience
- Art of the Slice – the Breadboard
- Kneading and Cleaning
- The Art of Bread Baking
- Sponge & Dough/Bread Theory.
- Product Line Blueprint
- Sandwich Manual

### **List of recommended Breadboard links for your research/education:**

- Newsletters
  - News > Newsletters
- HR manual
  - Operations > Employee Management > Human Resources
- MAWebcenters sign up info
  - Marketing > Bakery Websites
- Constant Contact sign up info
  - Marketing > Marketing Elements > Direct Marketing > Constant Contact
- FAQ section
  - <http://breadboard.greatharvest.com/node/2452>
- Design Wizard
  - Marketing > Design Wizard
- Nutrition education training program
  - Operations > Nutrition and Labeling > Nutrition Education Training Program

### **List of Confidential Materials Hardcopy**

- Bread Quality Handbook  
[ID: \_\_\_\_\_]
  - Copy of signed Franchise Agreement
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## GREAT HARVEST TRACKING GUIDE Version 6.0

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***EXHIBIT J***

***LIST OF FRANCHISEES WHO LEFT OUR SYSTEM  
OR HAVE NOT COMMUNICATED WITH US***

**List of Franchisees who have left the system  
or have not communicated with us  
January 1, 2013 through December 31, 2013**

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

**CALIFORNIA**

Erika & Brett Mendenhall  
Folsom, CA 95630  
(916)969-7063  
Reason Sold bakery to new franchisees

**COLORADO**

Beth McCrory  
Arvada, CO 80003  
(720)347-9481  
Reason Sold bakery shares to partner

**HAWAII**

Brian, Anthony & Aileen Ah Yat  
Kailua, HI 96734  
(808)381-5097  
Adam Wong  
Kailua, HI 96734  
(808)781-5593  
Reason Closed doors

**ILLINIOS**

Sam & Stephanie Polito  
Morton, IL 61550  
(309)696-4920  
Reason Sold bakeries to new franchises

Sam & Stephanie Polito  
Peoria, IL 61614  
(309)696-4920  
Reason Sold bakeries to new franchises

**INDIANA**

Jerry & Janet Lecy  
Carmel, IN 46032  
(765)742-7323  
Reason Closed doors

**MICHIGAN**

Jeff & Lori Kelly  
Brighton, MI 48116  
(801)240-6642  
Reason. Sold bakery to new franchisees

Ric & Betty Gajewski  
Grand Rapids, MI 49534  
(616)677-1643  
Reason Sold bakery to new franchisees

Mark Jensen  
Berny & Dave Heitzman  
Kalamazoo, MI 49008  
(269)327-0820  
Reason Closed doors Remain owners of the Portage bakery

#### MINNESOTA

Bob & Natasha Fleischman  
Woodbury, MN 55125  
(651)351-0311  
Reason Closed doors Remain owners of the Stillwater bakery

#### MISSISSIPPI

Mike Young  
Ridgeland, MS 39157  
(601)668-4477  
Reason Sold bakeries to partnering franchisee

Paul Rankin  
Ridgeland, MS 39157  
(601)956-4406  
Reason Closed doors

#### NEBRASKA

Kevin Horne  
Lincoln, NE 68522  
(402)304-3782  
Reason Closed doors

#### NEVADA

Don Anderson  
Reno, NV 89509  
(775)842-2580  
Reason Closed doors

#### OHIO

John Smith & Kim Hannon  
Fairlawn, OH 44333  
(330)606-2894  
Reason Closed Bakery

#### PENNSYLVANIA

Darren Henderson & Debbie Zyskowski  
Ardmore, PA 19003  
(610)975-0200  
Reason Closed doors, but remain owners of Wayne and Glen Mills, PA bakeries

TENNESSEE

Jim & Loretta Kmet  
Cookeville, TN 38501  
(931)303-2483  
Reason Sold bakery to new franchisees

TEXAS

Dustin Marks & Mechelle Coate  
Lubbock, TX 79424  
(806)928-2732  
Reason Bakery never opened. Terminated Franchise Agreement

UTAH

Steve & Jane Owen  
Lehi, UT 84043  
(801)373-9816  
Reason Sold bakery to new franchisees Remain owners of the Provo, UT bakery

Nan Washburn  
(801)450-6678  
Toby Chipman  
(801)694-5576  
Salt Lake City, UT 84117  
Reason Sold bakery share to partnering franchisees

WASHINGTON

Jim & Kerry Norem  
Olympia, WA 98508  
(360)742-0788  
Reason Closed doors

Jeff & Maggie Weissman  
Seattle, WA 98155  
(206)992-1532  
Reason Sold bakery to new franchisees

Jay & Stacey Powers  
Seattle, WA 98105  
(253)732-5381  
Reason Closed doors

Jay & Stacey Powers  
South Hill, WA 98373  
(253)732-5381  
Reason Closed doors

Kyle Skalisky  
Wenatchee, WA 98801  
(509)885-8072  
Reason Sold bakery shares to partnering franchisee

***EXHIBIT K***  
***AREA DEVELOPMENT AGREEMENT***



**Area Development Agreement ("ADA")**  
**Letter of Consent**

**Effective Date:** \_\_\_\_\_

The purpose of this Letter of Consent between Great Harvest Franchising, Inc ("we") and \_\_\_\_\_ ("you") is to mutually agree to define a specified territory for potential development at a later date. Great Harvest agrees to hold the specified territory as defined by the attached map. This area will be referred to as the development territory. The following terms shall apply

***Fee***

We acknowledge receiving from you a fee of \$3,000 at the time of submitting your Area Development Agreement. This \$3,000 fee will be applied to an Additional Location application fee should you be approved for expansion. If you are not approved or ask to terminate this Letter of Consent prior to expiration, any fees paid to us are not refundable.

***Term***

The term of this Area Development Agreement is for two years from the Effective Date as defined above. You agree to apply for an Additional Location within the development territory prior to (1) the two year anniversary of this ADA, or (2) within six months of opening your last expansion opportunity, whichever comes later.

These deadlines will not apply to you if your first bread company is not open yet or less than one year old. In that case, you promise to apply for an Additional Location within the development territory no later than one year from the date of opening your Bread Company, or the two year anniversary of this ADA, whichever comes later.

Failure to exercise these development options within the applicable time frame will result in an automatic termination of this ADA and any fees paid to us are not refundable.

***Renewal***

You may renew this ADA for one year by paying a renewal fee of \$2,250 before the end of the term.

***Territorial Rights***

We have defined a geographic area which will serve as your development territory (see attached map). This area is the smaller of (i) approximately 100,000 people or (ii) a ten mile radius. You will have the exclusive option to apply for an Additional Location for the defined area.

If you request to change your development territory at any time prior to applying for an Additional Location we will evaluate the proposed change and may re-evaluate your entire ADA application based on this change. There may also be a nominal fee for re-defining your development territory.

The following specific sites within your development territory are known to have pre-existing off-premises product sales activities by another Great Harvest bread company:

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(Other qualified sites may be determined pre-existing if their age and validity can be proven.)

You agree to abide by our policies regarding off-premises product sales activities

If a termination of this ADA takes place, you will not be allowed to expand or challenge other applications within or surrounding the defined development territory for a period of two (2) years from the effective termination date.

**Other Terms and Conditions**

This ADA is not transferable. It cannot be sold, traded or included in the sale of a bakery. If you decide to sell your bakery during the term of this ADA, the fee paid for this ADA is non-refundable

An Application for Expansion for an Additional Location is subject to our then-current application process

By signing below, you agree that you have read and understand the terms of this Letter of Consent, the application process under which this ADA is granted, and the timelines and consequences involved

FRANCHISEE

GREAT HARVEST FRANCHISING, INC.

\_\_\_\_\_

By \_\_\_\_\_

\_\_\_\_\_

Title \_\_\_\_\_

Date Signed by Franchisee

Date Executed by  
Great Harvest Franchising, Inc.

\_\_\_\_\_

\_\_\_\_\_

***EXHIBIT L***

***AMENDMENT FOR TRANSFER OF GREAT HARVEST FRANCHISE AGREEMENT***

## ***Amendment for Transfer of the Great Harvest bread company***

This Amendment for Transfer of the Great Harvest bread company amends the Franchise Agreement entered into on this same date by the undersigned parties (the "Franchise Agreement")

All sections of the Franchise Agreement shall be fully effective and fully binding on the parties as of the date signed below, provided that the parties acknowledge and understand that the Bread Company subject to the Franchise Agreement is currently owned and operated by the transferring franchisee, and that certain aspects of the Franchise Agreement will therefore not take effect until the date of closing on the transfer of assets (the "Closing") The "Effective Date" of the Franchise Agreement shall be the date of Closing You shall begin paying the Continuing Fees described in Section C7 as of the Effective Date, and not before The Non-competition and Confidentiality provisions in Sections C15, C16 and C17, and all others provisions protecting our rights and yours, shall begin as of the date we sign the Franchise Agreement and this Transfer Amendment

You and we expressly agree that your right to become an operating franchise owner under the Franchise Agreement is conditioned on your completion of training to our reasonable satisfaction, and a successful Closing. If these conditions are not met, we may terminate your rights to operate a Great Harvest Bread Company under the Franchise Agreement

### ***Delete First Year Promises***

Sections FYP I through FYP II in the Franchise Agreement are all deleted to make the Agreement appropriate for transferring ownership of an existing bread company

### ***Transfer fee***

*Note The following section will be used when a candidate from outside the Great Harvest system is purchasing at least 50% of an existing Great Harvest bread company*

We acknowledge receiving a total Transfer Fee of \$19,000

We will give you a \$1,000 fee rebate upon the return of all of the Seller's Great Harvest confidential information at or very near to Closing If we do not receive all of the confidential information at or very near to Closing, you are not eligible for the rebate

We will give you a \$4,000 fee rebate upon completion of all of the following requirements

- Complete the Great Harvest University ("GHU") online coursework before Closing, and
- attend Sandwich School before Closing, and
- attend Bread Week before Closing and
- attend Bakery School before Closing, and
- install new exterior signage, if required, within the first year after Closing

This rebate expires one year after Closing

*Note In the case of a transfer of minority ownership or a transfer to a Great Harvest Insider, different fees and rebate restrictions apply The fee range is \$1,500 to \$8,500, depending on the circumstances Rebates are still contingent upon completion of GHU by the main operator, the installation of exterior signage and*

*the return of confidential information. In most cases, we do not permit the Closing to occur before the buyer has completed GHU*

### ***Termination, refund***

Either party may terminate this Agreement by notice to the other in writing at any time within a period of 20 days following the date this Agreement and Transfer Amendment has been signed by both parties, or until Closing, whichever period of time is shorter. No cause need be given, and, in the event this right is exercised by either you or us, the transfer fee paid us at time of signing, less our actual costs incurred to date, will be promptly refunded to you, once all of our confidential information (as defined in Section C15) is returned to us. If you chose to purchase the optional computer directly from us, you may not return the computer to us for a refund, but you are required to allow us to erase our confidential information from the computer using an on-line service or by returning it to GHF. You promise to keep no copies, electronic or otherwise, of the information we erase.

Except for the specific time period defined above, the Transfer Fee is not refundable.

### ***Training***

All persons who are on the Franchise Agreement will complete the GHU online coursework, which lays the groundwork for successful bakery ownership. This coursework consists entirely of self-directed, self-paced learning activities designed to teach key concepts to bakery owners. You are required to complete the GHU coursework posted on the Breadboard, our intranet site, before attending Bakery Boot Camp.

You will send all persons whose signature is on this Agreement or Guaranty Agreement for completion of the "Sandwich School Training," consisting of three full days of training on our branded sandwich program. This portion of the training is for learning the pace of production, style at the counter, customer service, general bakery systems, employee training, food safety, predictions and promotion. Travel, food, and lodging, along with any costs or inconvenience caused by taking time off, will be at your expense. However, any person whose signature is on this Agreement or Guaranty Agreement and is not the main operator may replace the above "Sandwich School" training requirement with onsite Customer Service Training at your bakery being taught by the Transfer trainer during onsite training. This portion of the training is for learning the pace and style of customer service at the counter, employee training, food safety and general bakery systems.

You will send at least one person whose signature is on this Agreement or Guaranty Agreement for completion of the "Bread Week Training," consisting of five full days of production training in Dillon, Montana. This portion of the training is for becoming proficient in bread-making and sweets-making skills. Travel, food, and lodging, along with any costs or inconvenience caused by taking time off, will be at your expense.

You will send at least one person whose signature is on this Agreement or Guaranty Agreement for completion of "Bakery Boot Camp," an intensive five-day program, in which you will plan for, prepare for, and then actually open and operate a live bakery called Great Harvest University Bakery. This learning experience gives you the opportunity to perform the daily activities involved in running a Great Harvest bakery. On-line coursework, Sandwich School, and Bread Week are prerequisites for attending Bakery Boot Camp. Travel, food, and lodging, along with any costs or inconvenience caused by taking time off, will be at your expense and should be anticipated as a cost of start-up.

At least one person whose signature is on the Franchise Agreement will spend at least five days training in the Bread Company named on this Franchise Agreement with the selling owner in order to learn the non-baking systems of the Bread Company

The above training must be completed prior to Closing

In addition, you agree to allow a Transfer trainer(s) to spend two to seven days training you at the Bread Company, after Closing. If you are moving the Bread Company, refer to the Moving paragraph below for more details on this training

In order that we may track and assist you during the initial transition period, you agree to send us monthly income statements for the first six months after the Closing date

### ***Moving***

In a rare case, you may be moving the Bread Company simultaneously with the Transfer. In order to maximize the value of the training provided when you re-open in the new location, you promise to

- comply with Section C22, Moving, and
- install only exterior signs that have been approved by us, and
- send us your Certificate of Occupancy (or comparable local licensing requirement), and
- submit video(s) of the exterior and interior of your unopened Bread Company that meets the pre-training requirements in our Tracking Guide

The two to seven days of on-site training (see above) will be provided only after you have completed all of these steps

### ***Territory***

Your territorial rights are described in Section C5 of the Franchise Agreement and drawn on the attached map

### ***Signage***

If not installed before closing, you will have one year from the Effective Date of the Franchise Agreement to install new exterior signage if needed. The new signage must be approved by us, in writing, before installation

### ***Limited off-premises product sales***

Off-premises product sales shall include, but are not limited to, wholesale accounts, Satellite locations, Farmers Markets, sales made using the Internet, and any mail-order business. You will have the continuing right to service the following sales account or sales activity at the specified sales level and within the specified limitation

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Any other activity is subject to the limitations as described in Section C18, Limited off-premises product sales, of the Franchise Agreement

## *Continuing fee*

You and we agree to the following modifications to the Franchise Agreement

The continuing fee rate of "seven percent (7%)" set forth in Section C7 Continuing fees, shall not apply. Instead, either a) or b) below, as is appropriate for the circumstances of this transfer, shall apply

- a) During the term of this Agreement your continuing fee rate shall be \_\_\_% of your total Gross Sales
- b) During the first 5 years of the term of this Agreement your continuing fee rate shall be \_\_\_% of your total Gross Sales. This rate will be effective for five (5) years from the effective date of this Agreement.

During the second half of the term of this Agreement your continuing fee rate shall be \_\_\_% of your total Gross Sales. This rate will be effective for five (5) years beginning on the fifth anniversary of the effective date of this Agreement and will continue for the balance of the term of this Agreement.

In all other respects, the terms of the Agreement shall remain enforceable between the parties

GREAT HARVEST FRANCHISING, INC

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

BREAD COMPANY OWNER

By \_\_\_\_\_

And by \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

***EXHIBIT M***

***MUTUAL GENERAL RELEASE***



**GREAT HARVEST FRANCHISING, INC.  
MUTUAL GENERAL RELEASE AGREEMENT**

THIS MUTUAL GENERAL RELEASE AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2014, by and between GREAT HARVEST FRANCHISING, INC , a Montana corporation ("Great Harvest"), and \_\_\_\_\_, collectively ("Franchisee")

WHEREAS, Great Harvest and Franchisee entered into a Great Harvest Franchise Agreement (the "Franchise Agreement") dated \_\_\_\_\_, granting Franchisee the right to operate a GREAT HARVEST BREAD CO.® business using the confidential policies, procedures and techniques developed by Great Harvest and using certain proprietary marks, including the trademark and service mark "GREAT HARVEST BREAD CO.®."

WHEREAS, Franchisee desires to renew his or her Great Harvest franchise

WHEREAS, Great Harvest, as permitted by the Franchise Agreement, requires as one condition of its consent to such renewal the execution of this Mutual General Release Agreement by Franchisee and Great Harvest

NOW THEREFORE, in consideration of the mutual covenants and conditions contained herein, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties agree as follows.

1 Great Harvest and Franchisee do hereby mutually release and forever discharge each other and each other's heirs, successors, representatives, assigns, agents, franchisees, employees, officers, and directors ("Designees"), and each of them, of and from any claims, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character, and description known or unknown, vested or contingent, arising from the Franchise Agreement or any related contract, which each party now owns or holds, or has at any time heretofore owned or held, or may at any time own or hold against the other party hereto, arising prior to and including the date of this Mutual General Release Agreement, provided, however, that this release shall exclude (a) claims arising from assertion of any continuing rights reserved in this Mutual General Release Agreement, and (b) claims arising from assertion of any continuing rights or enforcement of obligations under the Franchise Agreement, including but not limited to any post-termination duties or obligations. If the parties to the Franchise Agreement are parties to any other franchise agreement for the operation of a Great Harvest bread company, this Mutual Release shall not apply to such other agreement

2 The foregoing release shall not apply to any claims which the Franchisee may have which have arisen under (a) the California Franchise Investment Law or the California Franchise Relations Act, (b) the Hawaii Franchise Investment Law, (c) the Indiana Deceptive Franchise Practices Act, (d) the Illinois Franchise Disclosure Act of 1987, (e) Maryland Franchise Registration and Disclosure Law, (f) the Minnesota

Franchise Act, (g) the New York Franchise Investment Law; (h) the North Dakota Franchise Investment Law, or (i) the Washington Franchise Investment Protection Act. This release shall exclude claims arising from Franchisee's failure to pay any amounts due Great Harvest in the ordinary course of business. The parties expressly agree that this Mutual General Release Agreement will not apply to any claims Great Harvest may have under any Promissory Notes ancillary to the Franchise Agreement, or that pertain to other payment arrangements that the parties may have agreed upon.

3 The foregoing release shall not apply to any liabilities or claims related to any outstanding gift cards, gift certificates, coupons, or any other customer offers existing at the time you sold, transferred, or closed your store. You understand and acknowledge that you are solely responsible for any such liabilities. In the case of selling or otherwise transferring your ownership in the store, you may transfer any such liabilities to your store's buyer or transferee, only upon their full acceptance and acknowledgment that such liabilities are transferring to them. Whether you've closed, sold, or otherwise transferred your store, you also understand and acknowledge that if Great Harvest Franchising, Inc. satisfies any such outstanding liabilities on your behalf, which may be done solely at its discretion, your responsibility for these liabilities is excluded from this Mutual Release.

4 By executing this Mutual General Release Agreement, Great Harvest and Franchisee, for themselves and their respective successors, represent and warrant that their representations herein are true and correct and that each of them has the right and authority to enter into and to accept the terms and covenants of this Mutual General Release Agreement, and that no third party has or claims an interest in any claim released by Paragraph 1 of this Mutual General Release Agreement.

5 Great Harvest and Franchisee, for themselves and their respective Designees, acknowledge that Paragraphs 1 and 4 of this Mutual General Release Agreement shall be a complete defense to any claim that is subject to the terms thereof, consent to the entry of a temporary or permanent injunction, whether affirmative or negative, to prevent or end any breach hereof, and agree to indemnify each other and their successors for any and all costs and expenses incurred as a result of their breach of Paragraphs 1 and 4 hereof, including reasonable attorney's fees.

6. This Mutual General Release Agreement represents the complete, integrated, and entire agreement between the parties, and may not be modified except in writing signed by the parties.

7 This Mutual General Release Agreement shall take effect upon its execution and dating by Great Harvest in Montana, and shall be governed by the laws of the State of Montana, which laws shall be controlling in the event of any conflict of law.

8 The provisions of this Mutual General Release Agreement are severable, and, in the event that any of them is held void and unenforceable as a matter of law, the remainder shall continue in full force and effect.

9 Each of the undersigned, if a corporation, partnership, or limited liability company, hereby represents and warrants that, as of the date of execution of this Mutual General Release Agreement, it is in good standing in the state of its organization, has the power to enter into this Mutual General Release Agreement, has duly authorized the execution of this Mutual General Release Agreement, and that such execution does not violate any other agreement to which it is a party

IN WITNESS WHEREOF, the parties have executed and delivered this Mutual General Release Agreement as of the date first above written

**GREAT HARVEST FRANCHISING, INC.**

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

**As individuals:**

By \_\_\_\_\_

And by \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**On behalf of the corporation:**

By \_\_\_\_\_

Signature  
Name \_\_\_\_\_

Officer  
Date \_\_\_\_\_

Place \_\_\_\_\_

***EXHIBIT N***

***TERRITORY AND CONTINUING FEE ACKNOWLEDGEMENT***

## TERRITORY ACKNOWLEDGEMENT

As indicated in this Franchise Agreement, once you sign a lease your Search Area will be voided and we will define your Hard Line Territory. The distance of your ring will be determined by the exact location of your bakery.

Upon receiving notification from you that you signed a lease located at:

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We have defined your Hard Line Territory as follows:

**HARD LINE TERRITORY:** \_\_\_\_\_ **mile radius ring and territory drawn on attached map.**

All parties agree this information to be true and accurate and that this Territory Acknowledgement replaces all previous territory definitions and/or acknowledgements.

FRANCHISEE

GREAT HARVEST FRANCHISING, INC.

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

By \_\_\_\_\_

And by: \_\_\_\_\_

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

And by: \_\_\_\_\_

Date executed by Great Harvest Franchising, Inc.

And by \_\_\_\_\_

\_\_\_\_\_

Date signed by Franchisee

\_\_\_\_\_

## **TERRITORY and CONTINUING FEE ACKNOWLEDGEMENT**

As indicated in this Franchise Agreement, once you sign a lease your Search Area will be voided and we will define your Hard Line Territory and your Continuing Fee. The distance of your ring and your on-going Continuing Fee will be determined by the exact location of your bakery

Upon receiving notification from you that you signed a lease located at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

We have defined your Hard Line Territory as follows:

**HARD LINE TERRITORY:** \_\_\_\_\_ **mile radius ring and  
territory drawn on attached map.**

We have defined your Continuing Fee as follows.

**During the term of your Franchise Agreement dated \_\_\_\_\_ your  
continuing fee rate shall be \_\_\_\_\_ % of your total Gross Sales.**

All parties agree this information to be true and accurate and that this Territory Acknowledgement replaces all previous territory definitions and/or acknowledgements.

FRANCHISEE

GREAT HARVEST FRANCHISING, INC.

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

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

And by: \_\_\_\_\_

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

And by: \_\_\_\_\_

Date executed by Great Harvest Franchising, Inc

And by: \_\_\_\_\_

\_\_\_\_\_

Date signed by Franchisee

\_\_\_\_\_

***EXHIBIT O***  
***STATE ADDENDA AND FRANCHISE AGREEMENT RIDERS***

**ADDENDUM TO THE  
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF  
GREAT HARVEST FRANCHISING, INC.**

**CALIFORNIA**

- 1 THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT
- 2 Neither the franchisor nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a et seq , suspending or expelling such person from membership in such association or exchange
- 3 OUR WEBSITE, WWW GREATHARVEST COM, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www corp ca gov](http://www.corp.ca.gov)
- 4 The following paragraphs are added at the end of Item 17 of the Disclosure Document

California Law Regarding Termination and Nonrenewal California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or nonrenewal of a franchise If the Franchise Agreement contains any provision that is inconsistent with the law, the law will control

Post-Termination Noncompetition Covenants The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise This provision might not be enforceable under California law

Liquidated Damages for Violation of Non-Competition Provision The Franchise Agreement contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable

Applicable Law The Franchise Agreement requires application of the laws of the State of Montana with certain exceptions This provision might not be enforceable under California law



The Franchise Agreement provides for termination upon insolvency, bankruptcy, or re-organization. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.)

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

Release 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 31000 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).

## **ILLINOIS**

1 Item 17(v) of the Disclosure Document is amended to provide that all litigation will be in Illinois.

2 Item 17(w) of the Disclosure Document is amended to provide that Illinois law applies.

## **MARYLAND**

1 The following is added to the end of Item 5 of the Disclosure Document.

Any general release required as a condition of obtaining a refund of the initial fees shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2 The "Summary" sections in Items 17(c), titled "Requirements for franchisee to renew or extend," and 17(m), titled "Conditions for Franchisor approval of transfer," of the Disclosure Document are amended to add the following:

provided, however, that such release shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3 The "Summary" section in Item 17(h) of the Disclosure Document, titled "'Cause' defined-non-curable defaults," is amended to add the following:

The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

4 The "Summary" sections in Items 17(v) and 17(w) of the Disclosure Document, titled "Choice of forum" and "Choice of law," are amended by adding the following

, except that these provisions will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

### **MINNESOTA**

1 The Item 6 line-item entitled "Liquidated Damages" is deleted to the extent required by applicable law

2 **Trademarks** The fifth paragraph of Item 13 after the trademark chart is amended to read as follows

You must notify us immediately when you learn about a possible infringement of our Marks We will take the action we think appropriate (which might be no action) We may control exclusively any litigation or other proceeding resulting from any infringement, challenge, or claim concerning our Marks If you have complied with all of our requirements that apply to the Marks, we will protect your right to use the principal Marks and indemnify you from any loss, costs, or expenses arising out of any claims, suits, or demands regarding your use of the Marks, in accordance with Minn Stat Sec 80C 12, Subd 1(g) It is our policy actively to police and defend our Marks and other intellectual property

3 **Renewal, Termination, Transfer and Dispute Resolution** The following is added at the end of the chart in Item 17

With respect to franchises governed by Minnesota law, we will comply with Minn Stat §80C 14, Subds 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement

Any release as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by law with respect to claims arising under Minn Rule 2860 4400D

### **NEW YORK**

1 The following information is added to the cover page of the Disclosure Document

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

**IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE 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 DISCLOSURE DOCUMENT.**

2       The following paragraphs are added at the beginning of Item 3 of the Disclosure Document

Neither we, any predecessor, any person identified in Item 2, an affiliate offering franchises under our principal trademark, nor a parent or affiliate who induces franchise sales by promising to back us financially or otherwise guarantees our performance (i) has an administrative, criminal, or civil action pending against us, it, him, or her 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, or (ii) was a party to any material civil action involving the franchise relationship in the last fiscal year

Neither we, any predecessor, any person identified in Item 2, an affiliate offering franchises under our principal trademark, nor a parent or affiliate who induces franchise sales by promising to back us financially or otherwise guarantees our performance 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 been held liable in a civil action alleging violation of a franchise, antifraud, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable allegations

Neither we, any predecessor, any person identified in Item 2, an affiliate offering or selling franchises within the past 10 years, nor a parent or affiliate who induces franchise sales by promising to back us financially or otherwise guarantees our performance 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, as a result of 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 paragraph is added at the beginning of Item 4 of the Disclosure Document.

Neither we, a parent, nor any of our affiliates, predecessors, officers, or general partners have, during the 10-year period immediately preceding the date of the Disclosure Document (a) filed as debtor (or had filed against us, it, him, or her) a petition to start an action under the U S Bankruptcy Code or any foreign bankruptcy law, (b) obtained a discharge of our, its, his, or her debts under the U S Bankruptcy Code or any foreign bankruptcy law, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against us, it, him, or her) a petition to start an action under the U S Bankruptcy Code or any foreign bankruptcy law or that obtained a discharge of our, its, his, or her debts under the U S Bankruptcy Code or any foreign bankruptcy law during or within 1 year after the officer or general partner of ours held this position in the company or partnership

4 The following sentence is added at the end of Item 5

We use the proceeds of the initial franchise fee to defray our costs and expenses of providing initial training and assistance to you

5 The "Summary" section in Item 17(d) of the Disclosure Document is amended to add the following

You also may terminate the Franchise Agreement on any grounds available by law

6 The "Summary" section in Item 17(j) of the Disclosure Document is amended to add the following

However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement

7 The "Summary" section in Item 17(s) of the Disclosure Document is amended to add the following

Modifications to our start-up materials, internal policies, standards, specifications, and procedures will not unreasonably affect your obligations, including economic requirements, under the Agreement

8 The "Summary" sections of Items 17(v) and 17(w) of the Disclosure Document are amended to add the following

, however, the governing choice of law shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York

#### **NORTH DAKOTA**

1 The Item 6 line-item entitled "Liquidated Damages" is deleted to the extent required by applicable law

2 The "Summary" sections in Items 17(c) and (m) of the Disclosure Document are amended by adding the following

(Any release executed will not apply to the extent prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law )

3 The "Summary" section in Item 17(r) of the Disclosure Document is amended by adding the following

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota However, we will seek to enforce them to the extent enforceable

4 The "Summary" section in Item 17(v) of the Disclosure Document is amended to add the following

, however, to the extent required by applicable law, you may bring an action in North Dakota

5 The "Summary" section in Item 17(w) of the Disclosure Document is deleted and replaced with the following

Except for federal law, North Dakota law applies

#### **RHODE ISLAND**

1 The "Summary" section in Item 17(v) of the Disclosure Document is deleted in its entirety, and the following is substituted in its place

Litigation generally must be in Montana except as otherwise required by applicable law with respect to claims arising under the Rhode Island Franchise Investment Act

2 The "Summary" section in Item 17(w) of the Disclosure Document is deleted in its entirety, and the following is substituted in its place

Montana law generally applies, except as otherwise required by law for claims which arise under the Rhode Island Franchise Investment Act

### **VIRGINIA**

1 The first (1st) sentence in the second (2nd) paragraph of Item 5 of the Disclosure Document is replaced with the following

We may terminate the Franchise Agreement at any time for reasonable cause during the period between its effective date and 30 days after completion in Dillon ("Bakery School")

2 The "Summary" section in Item 17(e) of the Disclosure Document is deleted in its entirety, and the following is substituted in its place

We do not have the right to terminate the Franchise Agreement without cause

### **WASHINGTON**

The following paragraph is added at the end of the chart in Item 17 of the Disclosure Document

If any of the provisions in this Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of RCW 19 100 180 or other requirements of the Washington Franchise Investment Protection Act (the "Act"), the Act's provisions will prevail over the inconsistent provisions of the Disclosure Document and/or the Franchise Agreement with regard to any franchises sold in Washington. However, you acknowledge that we intend to enforce all such provisions to the extent allowed under the Act

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS  
TO THE FRANCHISE AGREEMENT**

**RIDER TO THE GREAT HARVEST FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

This Rider is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **GREAT HARVEST FRANCHISING, INC.**, a Montana corporation ("we," "us," or "our"), and \_\_\_\_\_ ("Franchisee," "you," or "your")

1     **Background**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Great Harvest bread company you will operate under the Franchise Agreement was made in the State of Illinois and you will operate the bread company in Illinois, and/or (b) you are a resident of Illinois.

2     **Governing Law & venue; construction**

(a)   The first paragraph of Section C31 of the Franchise Agreement, entitled "Governing Law & venue, construction," is amended to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (the Lanham Act, 15 U.S.C. §§ 1051 *et seq.*) or other federal law, this Agreement will be construed and interpreted, and our relationship with you and the rights and obligations of the parties governed, by the laws of the state of Illinois as long as the jurisdictional requirements of such Illinois laws are met independently without reference to this paragraph. If the jurisdictional requirements of any Illinois laws are not met independently, then this Agreement will be construed and interpreted, and our relationship with you and the rights and obligations of the parties governed, in accordance with the internal laws of Montana, without regard to its conflicts of laws principles. Any law which may be adopted by the state of Montana regulating the sale of franchises or governing the relationship between us and our bread company owners will not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

(b)   The third paragraph of Section C31 of the Franchise Agreement is deleted in its entirety.

3     **Acknowledgments**   The first three paragraphs of Section C35 of the Franchise Agreement, entitled "Acknowledgments," are deleted in their entirety.



*Intending to be legally bound*, the parties have executed this Rider at the times and places written below The effective date of this Rider is the latter of the two dates of signing

**GREAT HARVEST FRANCHISING, INC.,**  
a Montana corporation

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Individuals)**

By \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

And by \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Entity)**

\_\_\_\_\_  
[Name of Entity]

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**RIDER TO THE GREAT HARVEST FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

This Rider is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **GREAT HARVEST FRANCHISING, INC.**, a Montana corporation (“we,” “us,” or “our”), and \_\_\_\_\_ (“Franchisee,” “you,” or “your”)

1     **Background**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, and/or (b) the Great Harvest bread company will be located or operated in Maryland.

2     **Termination, refund, expiration**   The following language is added at the end of the second paragraph of Section FYP11, titled “Termination, refund, expiration,” of the Franchise Agreement:

Any general release required as a condition of obtaining a refund of the initial fees shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3     **Assignment and Renewal**   The following language is added both at the end of the first paragraph of Section C23, titled “Selling your Bread Company,” and to subparagraph (3) in Section C24, titled “Renewal,” of the Franchise Agreement:

provided, however, that such general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4     **Our right to terminate**   The following language is added to the end of the fourth bullet point of Section C25 of the Franchise Agreement, titled “Material Breach”:

, however, such provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 *et seq.*), although we intend to enforce it to the extent enforceable.

5     **Governing Law & venue; construction**

(a)   The first paragraph of Section C31 of the Franchise Agreement, entitled “Governing Law & venue, construction,” is amended to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (the Lanham Act, 15 U.S.C. §§ 1051 *et seq.*) or other federal law, and except as otherwise required by law for claims arising under the Maryland Franchise Registration and Disclosure Law, this Agreement will be construed and interpreted, and our relationship

with you and the rights and obligations of the parties governed, in accordance with the internal laws of Montana, without regard to its conflicts of laws principles. Any law which may be adopted by the state of Montana regulating the sale of franchises or governing the relationship between us and our bread company owners will not apply unless its jurisdictional requirements are met independently without reference to this paragraph

(b) The third paragraph of Section C31 of the Franchise Agreement is amended to add the following at the end

**HOWEVER, NOTHING IN THIS PARAGRAPH AFFECTS YOUR RIGHT UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW TO SUE IN MARYLAND FOR CLAIMS ARISING UNDER THAT LAW.**

6 **Acknowledgments** The following language is added to the end of Section C35 of the Franchise Agreement, titled "Acknowledgments"

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

**[The remainder of this page is intentionally left blank.]**

*Intending to be legally bound*, the parties have executed this Rider at the times and places written below The effective date of this Rider is the latter of the two dates of signing

**GREAT HARVEST FRANCHISING, INC.,**  
a Montana corporation

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Individuals)**

By \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

And by \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Entity)**

\_\_\_\_\_  
[Name of Entity]

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**RIDER TO THE GREAT HARVEST FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

This Rider is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **GREAT HARVEST FRANCHISING, INC.**, a Montana corporation ("we," "us," or "our"), and \_\_\_\_\_ ("Franchisee," "you," or "your")

1     **Background**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Great Harvest bread company you will operate under the Franchise Agreement was made in the State of Minnesota, and/or (b) the Great Harvest bread company will be located or operated in Minnesota.

2     **Use of Marks**   The following is added at the end of Section C13 of the Franchise Agreement, entitled "Building a brand"

Provided you have complied with all provisions of the Franchise Agreement applicable to the Marks, we will protect your right to use the Marks and indemnify you from any loss, costs, or expenses arising out of any claims, suits, or demands regarding your use of the Marks, in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

3     **Non-competition and confidentiality**   The following is added to Sections C16 and C17 of the Franchise Agreement

Pursuant to Section 80C 14, Chapter 2860 4400, paragraph (J) of the Rules and Regulations promulgated by the Securities Division of the Minnesota Department of Commerce pursuant to the Minnesota Franchise Act, this Franchise Agreement shall not, to the extent prohibited by law, provide for liquidated damages upon the occurrence of any event.

4     **Renewal and Our right to terminate**   The following is added at the beginning of Sections C24 and C25 of the Franchise Agreement

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. §80C 14 Subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of this Agreement.

5     **Governing Law & venue; construction**   The following sentence is added to Section C31 of the Franchise Agreement, entitled "Governing Law & venue, construction"

**PURSUANT TO MINN. STAT. §80C.21 AND MINN. RULE PART 2860.4400J, THIS SECTION SHALL NOT IN ANY WAY ABROGATE OR REDUCE YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES 1984, CHAPTER 80C, INCLUDING THE RIGHT TO SUBMIT MATTERS TO THE JURISDICTION OF THE COURTS OF MINNESOTA.**

*Intending to be legally bound*, the parties have executed this Rider at the times and places written below. The effective date of this Rider is the latter of the two dates of signing.

**GREAT HARVEST FRANCHISING, INC.,**  
a Montana corporation

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Individuals)**

By \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

And by \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Entity)**

\_\_\_\_\_  
[Name of Entity]

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**RIDER TO THE GREAT HARVEST FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN NEW YORK**

This Rider is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **GREAT HARVEST FRANCHISING, INC.**, a Montana corporation ("we," "us," or "our"), and \_\_\_\_\_ ("Franchisee," "you," or "your")

1     **Background**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Great Harvest bread company you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the bread company in New York.

2     **Assignment**   The first paragraph of Section C23 is amended to add the following:

, Provided however, that all rights enjoyed by you 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 GBL 687 4 and 687 5 be satisfied.

3     **Governing Law & venue; construction**   The first paragraph in Section C31 of the Franchise Agreement, entitled "Governing Law & venue, construction," is amended to add the following:

**; HOWEVER, THE GOVERNING CHOICE OF LAW SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE NEW YORK STATE GENERAL BUSINESS LAW.**

*Intending to be legally bound*, the parties have executed this Rider at the times and places written below The effective date of this Rider is the latter of the two dates of signing

**GREAT HARVEST FRANCHISING, INC.,**  
a Montana corporation

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Individuals)**

By \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

And by \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Entity)**

\_\_\_\_\_  
[Name of Entity]

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_



**RIDER TO THE GREAT HARVEST FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

This Rider is entered into this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **GREAT HARVEST FRANCHISING, INC.**, a Montana corporation ("we," "us," or "our"), and \_\_\_\_\_ ("Franchisee," "you," or "your")

1     **Background**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Great Harvest bread company you will operate under the Franchise Agreement was made in the State of North Dakota, and/or (b) you are a resident of North Dakota and will operate the bread company in North Dakota.

2     **Non-Competition and confidentiality**   The last paragraph of the "Non-Compete" subsections of Sections C16 and C17 of the Franchise Agreement will not be enforced to the extent prohibited by law, and the following language is added to the end of that subsection in C17:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent enforceable under the law.

3     **Releases**   The following language is added after the first set of bullet points in Section C23 of the Franchise Agreement, entitled "Selling your Bread Company," and at the end of subparagraph (3) of Section C24 of the Franchise Agreement, entitled "Renewal":

(Any release executed will not apply to the extent otherwise prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law.)

4     **Your responsibilities after termination or expiration**   The second paragraph, entitled "Money," of Section C26 of the Franchise Agreement, entitled "Your responsibilities after termination or expiration," is amended to add the following language:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

5     **Governing Law & venue; construction**

(a)   The first paragraph of Section C31 of the Franchise Agreement, entitled "Governing Law & venue, construction," is amended to add the following at the end:

**DESPITE THIS PROVISION, NORTH DAKOTA LAW WILL APPLY TO THIS AGREEMENT.**

(b) The third paragraph of Section C31 of the Franchise Agreement is amended to add the following at the end

**HOWEVER, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, YOU MAY BRING AN ACTION IN NORTH DAKOTA.**

6 **Conflict and Dispute Resolution.** Section C33 of the Franchise Agreement, entitled "Conflict and Dispute Resolution," is amended to provide that the site for arbitration shall be agreed upon by the parties

*Intending to be legally bound*, the parties have executed this Rider at the times and places written below The effective date of this Rider is the latter of the two dates of signing

**GREAT HARVEST FRANCHISING, INC.,**

a Montana corporation

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Individuals)**

By \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

And by \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Entity)**

\_\_\_\_\_  
[Name of Entity]

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**RIDER TO THE GREAT HARVEST FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN RHODE ISLAND**

This Rider is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **GREAT HARVEST FRANCHISING, INC.**, a Montana corporation ("we," "us," or "our"), and \_\_\_\_\_ ("Franchisee," "you," or "your")

1     **Background**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Great Harvest bread company you will operate under the Franchise Agreement was made in the State of Rhode Island, and/or (b) you are a resident of Rhode Island and will operate the bread company in Rhode Island.

2     **Governing Law & venue; construction**

(a)   The first paragraph of Section C31 of the Franchise Agreement, entitled "Governing Law & venue, construction," is amended to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (the Lanham Act, 15 U.S.C. §§ 1051 *et seq.*) or other federal law, and except as otherwise required by law for claims arising under the Rhode Island Franchise Investment Act, this Agreement will be construed and interpreted, and our relationship with you and the rights and obligations of the parties governed, in accordance with the internal laws of Montana, without regard to its conflicts of laws principles. Any law which may be adopted by the state of Montana regulating the sale of franchises or governing the relationship between us and our bread company owners will not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

(b)   The third paragraph of Section C31 of the Franchise Agreement is amended to add the following at the end:

**HOWEVER, NOTHING IN THIS PARAGRAPH AFFECTS YOUR RIGHT, TO THE EXTENT REQUIRED BY APPLICABLE LAW WITH RESPECT TO CLAIMS ARISING UNDER THE RHODE ISLAND FRANCHISE INVESTMENT ACT, TO SUE IN RHODE ISLAND FOR CLAIMS ARISING UNDER THAT LAW.**

*Intending to be legally bound*, the parties have executed this Rider at the times and places written below. The effective date of this Rider is the latter of the two dates of signing.

**GREAT HARVEST FRANCHISING, INC.,**  
a Montana corporation

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Individuals)**

By \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

And by \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Entity)**

\_\_\_\_\_  
[Name of Entity]

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**RIDER TO THE GREAT HARVEST FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN VIRGINIA**

This Rider is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **GREAT HARVEST FRANCHISING, INC.**, a Montana corporation ("we," "us," or "our"), and \_\_\_\_\_ ("Franchisee," "you," or "your")

1     **Background**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because you will operate the bread company in Virginia.

2     **First Year Clauses—Termination, Refund, Expiration**

The second paragraph of Section FYP11 of the Franchise Agreement, entitled "Termination, Refund, Expiration," is amended to read as follows:

We may terminate this Agreement by notice to you only for reasonable cause during the period between the Effective Date and 30 days following the completion of Bakery School. In the event this right is exercised by us, the \$22,000 partial initial fee paid us at time of signing will be promptly refunded to you, without interest, once you have signed a Mutual Release and all of our confidential information (as defined in Section C15) is returned to us. If all individuals on this Agreement or Guaranty Agreement do not attend the same Bakery School session, the 30 days termination period begins following the completion of the first week of training in Dillon by any individual on this Agreement or Guaranty Agreement.

*[Signature Page Follows]*

*Intending to be legally bound*, the parties have executed this Rider at the times and places written below The effective date of this Rider is the latter of the two dates of signing

**GREAT HARVEST FRANCHISING, INC.,**  
a Montana corporation

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Individuals)**

By \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

And by \_\_\_\_\_

Percentage of Ownership \_\_\_\_\_%

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Entity)**

\_\_\_\_\_  
[Name of Entity]

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**RIDER TO THE GREAT HARVEST FRANCHISING, INC.  
FRANCHISE AGREEMENT  
FOR USE IN WASHINGTON**

This Rider is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **GREAT HARVEST FRANCHISING, INC.**, a Montana corporation ("we," "us," or "our"), and \_\_\_\_\_ ("Franchisee," "you," or "your")

1     **Background**   We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Great Harvest bread company you will operate under the Franchise Agreement was made in the State of Washington, (b) you are a resident of Washington, and/or (c) the Great Harvest bread company will be located or operated in Washington.

2     **Addition of Paragraphs**   The following paragraphs are added to the end of the Franchise Agreement:

In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, the Franchise Agreement of Great Harvest Franchising, Inc. shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede the Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There also might be court decisions which might supersede the Agreement in your relationship with us, including the areas of termination and renewal of your franchise. However, you acknowledge and agree that we intend to enforce our Agreement to the extent allowed under the law.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act shall prevail.

To the extent required by the Act, a release or waiver of rights executed by a franchisee shall not include rights under the 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, might not be enforceable. However, you acknowledge and agree that we intend to enforce all such provisions to the extent allowed under the Act.

To the extent required by the Act, transfer fees are collectable only to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer

*Intending to be legally bound*, the parties have executed this Rider at the times and places written below The effective date of this Rider is the latter of the two dates of signing

**GREAT HARVEST FRANCHISING, INC.,**  
a Montana corporation

By \_\_\_\_\_  
Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Individuals)**

By \_\_\_\_\_  
Percentage of Ownership \_\_\_\_\_%

And by \_\_\_\_\_  
Percentage of Ownership \_\_\_\_\_%

Date \_\_\_\_\_

Place \_\_\_\_\_

**BREAD COMPANY OWNER (If Entity)**

\_\_\_\_\_  
[Name of Entity]

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_



**NEW YORK REPRESENTATIONS PAGE**

**THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

## 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 Great Harvest Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. [New York and Rhode Island require 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 Great Harvest Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and the appropriate state agency identified in Exhibit B.

The franchisor is Great Harvest Franchising, Inc. located at 28 South Montana Street, Dillon, Montana 59725. Its telephone number is (800) 442-0424.

The franchise sellers for this offering are \_\_\_\_\_, all of whom can be reached at 28 South Montana Street, Dillon, Montana 59725, (800) 442-0424.

Issuance Date January 31, 2014

Great Harvest Franchising, Inc. authorizes the respective state agents identified on Exhibit B to receive service of process for it in the particular states. I received a disclosure document from Great Harvest Franchising, Inc. dated January 31, 2014 that included the following Exhibits:

- A Franchise Agreement
- B List of State Agencies/Agents for Service of Process
- C Financial Statements
- D List of Franchisees
- E Amendment for Renewal of Franchise Agreement
- F Amendment for an Additional Bread Company
- G Amendments for Renewal of a Satellite Location
- H Guaranty Agreement
- I. Tables of Contents for Confidential Start-Up Materials, Tracking Guide, and First Year Guidelines
- J. List of Franchisees Who Left Our System or Have Not Communicated With Us
- K Area Development Agreement
- L Amendment for Transfer of Great Harvest Franchise Agreement
- M Mutual General Release
- N Territory and Continuing Fee Acknowledgement
- O State Addenda and Franchise Agreement Riders

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

\_\_\_\_\_  
Prospective Franchisee [Signature]

*After signing and dating the Receipt, you may return it to us (to the attention of Sally Munday) by sending the original via overnight courier or 1st class mail to our address above, by faxing a copy to (406) 683-4545, or by emailing a scanned copy to [sallym@greatharvest.com](mailto:sallym@greatharvest.com)*

**RECEIPT**  
**(FRANCHISEE'S COPY-KEEP THIS COPY FOR YOUR RECORDS)**

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 Great Harvest Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. [New York and Rhode Island require 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 Great Harvest Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and the appropriate state agency identified in Exhibit B.

The franchisor is Great Harvest Franchising, Inc. located at 28 South Montana Street, Dillon, Montana 59725. Its telephone number is (800) 442-0424.

The franchise sellers for this offering are \_\_\_\_\_, all of whom can be reached at 28 South Montana Street, Dillon, Montana 59725, (800) 442-0424.

Issuance Date January 31, 2014

Great Harvest Franchising, Inc. authorizes the respective state agents identified on Exhibit B to receive service of process for it in the particular states. I received a disclosure document from Great Harvest Franchising, Inc. dated January 31, 2014 that included the following Exhibits:

- A Franchise Agreement
- B List of State Agencies/Agents for Service of Process
- C Financial Statements
- D List of Franchisees
- E Amendment for Renewal of Franchise Agreement
- F Amendment for an Additional Bread Company
- G Amendments for Renewal of a Satellite Location
- H Guaranty Agreement
- I Tables of Contents for Confidential Start-Up Materials, Tracking Guide, and First Year Guidelines
- J List of Franchisees Who Left Our System or Have Not Communicated With Us
- K Area Development Agreement
- L Amendment for Transfer of Great Harvest Franchise Agreement
- M Mutual General Release
- N Territory and Continuing Fee Acknowledgement
- O State Addenda and Franchise Agreement Riders

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

\_\_\_\_\_  
Prospective Franchisee [Signature]