

56. San Rojas, Inc. and Rogelio Lupercio vs. Bimbo Foods Bakeries Distribution, LLC. On January 8, 2025, San Rojas, Inc. and Rogelio Lupercio, president and sole shareholder of San Rojas, Inc., filed suit against Bimbo Foods Bakeries Distribution, LLC (“BFBD”) in the 3<sup>rd</sup> Judicial Circuit, Wayne County, Michigan. BFBD was served on January 31, 2025. The complaint stems from BFBD’s April 2024 termination of Plaintiff’s Distribution Agreement. The complaint asserts claims for Breach of Contract, Tortious Interference with Business Relations, and Defamation. On March 4, 2025, the parties agreed to a settlement, resulting in BFBD purchasing Plaintiff’s distributorship for \$260,000.

57. Gonzalez vs. Bimbo Bakeries USA, Inc., et. al. On February 24, 2023, plaintiff, , on behalf of himself and others similarly situated, in the Superior Court of California, County of Riverside. The case was later removed to the United States District Court for the Southern District of California. Plaintiff is seeking PAGA penalties related to alleged violations of California Labor Code. On April 3, 2024, the parties settled this action for a total of \$47,750 and the action was dismissed.

Other than the actions set forth above, no other litigation is required to be disclosed in this Franchise Disclosure Document.

#### **Item 4** **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Franchise Disclosure Document.

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

You must pay an initial purchase fee (a.k.a. a “purchase price”) to acquire your Distribution Rights. When acquiring Distribution Rights directly from BFBD, this purchase fee/price is calculated using a given multiple times a 52-week historical average of weekly net sales of different categories of certain specified Products to your Outlets. (As discussed in more detail in Item 10, this fee/price may be able to be financed.) The multiples may vary with the Product Category and for certain Outlets, depending on a variety of factors, including but not limited to the following: the type of area (*e.g.*, urban, suburban or rural); the physical features of the land (*e.g.*, bridges, mountains, etc.); the area of the United States; the population density of the area; the density of the business population; the average size of an average retail store; and other socioeconomic factors common to the area. There can be no assurance that the actual Product sales you achieve at your Outlets will match or exceed the historical 52-week average net sales used by BFBD in determining your initial purchase fee/price for your Distribution Rights, as past performance is not a guaranty of future results. See Item 19 below. When purchasing Distribution Rights directly from an already existing Distributor, the initial purchase fee/price is established by, and payable to, the selling Distributor; although BFBD will facilitate the transfer of the Distribution Rights to you.

BFBD estimates that the total of all initial fees in connection with the purchase of your Distribution Rights will range from \$8,000 to \$500,000 based on the factors described above. However, as mentioned, if you purchase your distribution rights from an existing BFBD Distributor (as opposed to from BFBD) that existing Distributor sets the price for such rights (which is the largest portion of the initial fees), so it is possible that your initial fees could fall outside of this range. The initial fee is to be paid in one lump sum payment at the time of the delivery of the Bill of Sale and execution of the other agreements (*i.e.*, any other agreements applicable to you that are included with this disclosure document, *e.g.*, Distribution Agreement, Sales Growth Agreement, any applicable financing documents, and any security agreements, etc.), some or all of which may be financed as detailed in Item 10 and Exhibit B to this disclosure document. This initial fee is a purchase fee and therefore is non-refundable. A provision is included in the Distribution Agreement and Sales Growth

Agreement (section 9.6) that provides us the right to, at any time while the Distribution Agreement is in effect, to purchase all or a portion of your Distribution Rights by providing you 30 days notice of same and paying you the fair market value of your Distribution Rights as determined by using a formula that includes looking at the sales multiple used in comparable sales of similarly situated BFBD distribution rights as well as the net average weekly sales in all of your Outlets. We may deduct from the purchase price for any sale/purchase of the Distribution Rights any money that you owe to us, as well as any money you owe to certain third parties you've authorized us to pay on your behalf and a reasonable estimate to cover charges that you may owe that will not post until after the purchase of the rights. As a condition of us approving any sale of the Distribution Rights to a third party or of you receiving the purchase price in sale of the Distribution Rights to us, you must execute and deliver to us a General Release in our favor. An example of the General Release is included as Exhibit G to this disclosure document.

In addition, prior to operating your business, you must pay a fee of approximately \$1,300-\$2,000 to BFBD or a non-affiliated vendor or seller of equipment to purchase a hand-held computer order system. This fee along with the initial fee noted above in connection with your Distribution Rights, are the only fees that you are required to pay for goods and/or services provided by BFBD (assuming, in the case of the hand-held computer fee, that you opt to purchase the system from BFBD) prior to operating under your Distribution Rights. You must also purchase a sufficient opening inventory of Products (typically ranging from \$2,500 to \$15,000) from BFBD's designated affiliates for proper and adequate distribution to your Outlets, which is purchased on credit; the cost will likely vary depending upon the mix and quantities of Product that your customers require.

### Item 6 OTHER FEES

All fees identified in this Item 6 are uniformly imposed on all Distributors.

Column 1 Type of Fee	Column 2 Amount Due	Column 3 Due Date	Column 4 Remarks
Transfer Fee (1)	2% of sale price	Prior to consummation of transfer to anyone (including BFBD, unless BFBD initiates the sale under Article 9 of your Agreement)	To cover administrative activities undertaken by BFBD in connection with the transfer.
Loan Documentation Fee (1)	\$500	Upon loan closing	To cover lender's administrative cost of processing the loan. In addition, you will be responsible for a bank origination fee of .5% (.005) of the loan amount (for purchase of a full route). In the event that you purchase a partial route, you will be responsible for a \$250 documentation fee (in lieu of the \$500). There is no bank origination fee for the purchase of a partial route.
Loan Reamortization Fee (1)	\$350	When/if you prepay your loan in an amount equal to the greater of \$5,000 or 25% of the then outstanding principal balance.	To cover lender's administrative cost of reamortizing the loan balance.
Technology Fee (2)	\$19.82	Weekly	Withheld by BFBD to cover: ➤ Ongoing warranty for hand-held throughout time in service ➤ Ongoing warranty for printer throughout

			<p>time in service</p> <ul style="list-style-type: none"> <li>➤ Thermal paper as reasonably needed for printer</li> <li>➤ Wireless access for Route to Market (RTM) system in sales center</li> <li>➤ Support for home or store Wi-Fi access</li> <li>➤ Mobile data (cellular) service for hand-held</li> <li>➤ Software licenses &amp; feature development for included apps</li> <li>➤ Continued updates and enhancements to apps and operating system of hand-held</li> <li>➤ Technical support</li> </ul>
Inventory Purchases	\$2,500 - \$15,000	Weekly	<p>This cost reflects the purchase, at a bona fide wholesale price, of the bakery Products for resale, which is purchased on credit. (See Items 7 and 8.). You must purchase sufficient Products from BFBD's designated affiliates for proper and adequate distribution to your Outlets; the cost will likely vary depending upon your customers' requirements.</p>
Long-Term Vehicle Lease (3)	\$700/mo to \$1,800/mo, depending on type of vehicle and options you select.	If you lease a vehicle through BUSH, B&G, or PNC, we may deduct payment for same from your weekly settlement and forward to these companies on your behalf. Otherwise, on terms agreed to between you and third-party lessor.	<p>Optional service. Payable to BUSH, B &amp; G, or PNC, depending on who your agreement is with. While we remit payment to BUSH, B &amp; G, or PNC as part of the weekly settlement, we receive no portion of the payment.</p> <p>A Delivery vehicle is not required if you sign a Sales Growth Agreement, which is not available at all times or in all locations. However, transportation may be required to get to, from, and between your Outlets.</p>
Automobile and/or General Liability Insurance (1)	\$45/week to \$300/week	If you obtain insurance through Acrisure Southeast Partners Insurance Services, LLC ("Acrisure"), we may deduct payment for same from your weekly settlement and forward to Acrisure on your behalf. Otherwise, on terms agreed to between you and third-party insurer.	<p>Optional service. Payable to Acrisure. While we remit payment to Acrisure as part of the weekly settlement, we receive no portion of the payment.</p>
Accounting Services (through DSA)	\$18/week to \$35/week	We deduct payment as part of the weekly settlement if you elect to receive this optional service.	<p>Optional service. Payable to DSA. While we remit payment to DSA as part of the weekly settlement, we receive no portion of the payment.</p>

(1) This fee is non-refundable.

(2) This fee is non-refundable. This fee is based on current market conditions and is subject to change.

(3) This fee is non-refundable and applicable only a) if you sign a Distribution Agreement (as opposed to a Sales Growth Agreement) and b) if you lease your vehicle instead of purchasing it.

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

In addition to the fees described in Items 5 and 6, you must make the following expenditures in order to begin operation under your Distribution Agreement:

<b>Column 1 Type of Expenditure</b>	<b>Column 2 Amount</b>	<b>Column 3 Method of Payment</b>	<b>Column 4 When Due</b>	<b>Column 5 To Whom Payment is to be made</b>
Initial Fee (1)	\$8,000 to \$500,000	Lump sum	Upon delivery of the Bill of Sale and execution of other agreements	BFBD (or selling Distributor as applicable)
Additional Funds / Working Capital for General Operations (2)	\$1,500 to \$6,500	Varies	At various times	Third parties
Opening Inventory (3)	\$2,500 to \$15,000 (Purchased on short-term credit from BFBD)	By settlement weekly	Weekly	BFBD
Vehicle (4)	\$0 to \$80,000	Lump sum (unless you arrange for financing on your own)	Upon delivery of the Bill of Sale and execution of the other agreements	Payable to seller of vehicle (which is typically not BFBD)
Hand-held Computer Ordering System (5)	\$1,300-\$2,000	Lump sum, although financing is available in some instances	Upon purchase (unless financed)	BFBD (or over time to a finance company if financed)
Initial Insurance Coverage (6)	\$500-\$1,200	Quarterly installments	As billed	Paid through BFBD weekly settlement (if offered by BFBD) or through a provider of your choosing
Incorporation Services	\$350 to \$2,000	Before execution of the Distribution Agreement.	Payable to DSA, if DSA is used, in which case you will make this payment to DSA directly. We receive no portion of the payment.	DSA or provider of your choosing
<b>TOTAL</b>	\$14,150 to \$606,700 (7)			

(1) The amount of the initial fee will be determined by BFBD and will depend, among other factors, on the volume of sales projected for your Outlets. This fee is not refundable.

(2) Working Capital covers any office equipment, gasoline (in most but not all situations) and other incidentals needed to operate under your Distribution Rights. The amount of working capital is based on estimated requirements to cover the costs of operating your business for three months. Your actual working capital requirements may be more or less than this amount. These expenditures are not refundable.

(3) You must purchase sufficient Products from BFBD's designated affiliates for proper and adequate distribution to your Outlets; the cost will likely vary depending upon the mix and quantities of product that your customers require. BFBD will give full credit each week for Products that are damaged or stale through no fault of your own. See Articles 4 & 6 in the Distribution Agreement and Sales Growth Agreement attached to this disclosure as Exhibits C and D.

(4) This amount represents an estimated range of purchase price depending upon whether you already own a suitable truck or whether you will need to purchase a new or used truck. BFBD may provide you with names of independent third-party vendors through which you may be able to lease a delivery truck (as disclosed in Item 6). BFBD has no interest in or affiliation with any such third-party vendor and will recognize no benefit from this arrangement. Any such leasing fee and costs are not refundable. If you sign a Sales Growth Agreement (which is not available at all times or in all locations), you are not required to obtain a delivery vehicle; however, transportation may be required to get to, from, and between your Outlets.

(5) This fee is not refundable. Sales tax, if applicable, will be charged on the purchase price. A weekly Technology Fee will also be charged by BFBD as disclosed in Item 6.

(6) You are required to purchase, at a minimum, the insurance set forth in BFBD's Security Agreement attached as Exhibit I to this disclosure document. The figure shown in the table reflects the estimated quarterly premium for such insurance. Your actual insurance costs may be more or less than this amount. This fee is not refundable.

(7) This range does not reflect any applicable initial fee discounts or credits. This range does not include (a) the monthly loan repayments (which will vary depending on the loan amount) deducted weekly when you settle your account with BFBD for inventory purchases or (b) the loan documentation fee (\$250 or \$500 depending on how many Outlets being transferred). In addition, you will be responsible for a bank origination fee of .5% (.005) of the loan amount. The bank origination fee is not included in the range stated in the chart.

### **Item 8** **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase sufficient Products from us and/or our designated affiliates for proper and adequate distribution/sale to your Outlets. Our affiliates will sell Products at terms and prices established by us and/or our affiliates from time to time, and they will derive income from such sales. Franchisor or its designated affiliates will sell Products to you on a credit basis and will perfect a lien on your Distribution Rights and all associated assets (including your delivery vehicle, if any, and your accounts receivables from Product sales to certain Outlets) to assure payment (see Exhibit I, Security Agreement). Products will be sold to you at bona fide wholesale prices that do not represent additional franchise fees to Franchisor but that do provide us with a profit margin. This profit margin will vary over time depending on the specific products involved and the market area. Franchisor currently estimates that Distributors will purchase between \$2,500 and \$15,000 in Products per week. **THIS IS AN ESTIMATE ONLY. ACTUAL PURCHASES WILL VARY FOR EACH DISTRIBUTOR DEPENDING UPON A NUMBER OF FACTORS.**

If you sign a Distribution Agreement and do not currently own a suitable delivery vehicle, you may wish to purchase or lease an appropriate delivery truck. What constitutes an "appropriate" delivery vehicle will vary based on types of products you will sell, the type and number of Outlets you sell to, among other factors. The differences in trucks principally relate to size and interior capacity. We may offer options to purchase or lease a new or used truck through an independent third-party vendor. Franchisor has no interest in or affiliation with any third-party vendor and will recognize no benefit from any such arrangement.

If you sign a Sales Growth Agreement (which is not available at all times or in all locations), you are not required to obtain a delivery vehicle; however, transportation may be required to get to, from, and between your Outlets.

You must purchase, or lease if leasing is available, a hand-held computer for ordering Products and a portable printer, both of which must be compatible with our systems. Franchisor or a non-affiliated third-party vendor will offer to sell, or possibly lease, such equipment to you. You may purchase a new or used computer system from any vendor supplying hand-held computers and portable printers provided the equipment is compatible with our systems. Franchisor has no interest in or affiliation with any third-party equipment vendor. Franchisor may modify its specifications for handheld computers in the future, which may require you to purchase a new device; we will notify you in advance of these changes.

Franchisor has no other required specifications, designated suppliers, or approved suppliers for goods or services relating to your Distribution Rights. Franchisor will derive revenue (based on the difference between its products' costs and its sales price to you) from your required purchases of products and services from Franchisor, although it will not derive revenue from any of your other purchases of products or services other than as set forth in Item 6. In its most recent fiscal year, Franchisor's total revenue was \$3.633 billion, of which \$3.633 billion was derived on account of required purchases of products/services by its Distributors, representing 100% of Franchisor's total revenue.

The estimated proportion of purchases of products or services from Franchisor (assuming you choose to purchase your hand-held computer from Franchisor) ranges from approximately 18% to 75% of all purchases of products or services that you may make to establish and operate under your Distribution Rights, depending upon the extent to which you need financing, or other equipment, such as a truck, to begin your business.

If you choose to finance any portion of your route with Advantafirst Capital Financial Services, Inc. ("ACF"), as discussed in Item 10, ACF will derive income in the form of interest and other payments from you.

## Item 9 FRANCHISEE'S OBLIGATIONS

**THE FOLLOWING TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE DISTRIBUTION 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.**

**ALL SUMMARIES AND DESCRIPTIONS OF AGREEMENTS CONTAINED IN THIS DISCLOSURE DOCUMENT ARE QUALIFIED BY REFERENCE TO THE TERMS OF THE ACTUAL AGREEMENTS, COPIES OF WHICH ARE ATTACHED TO THIS DISCLOSURE DOCUMENT AS EXHIBITS. YOU SHOULD REVIEW THESE AGREEMENTS CAREFULLY.**

	Obligation	Section in Distribution Agreement ("DA") and Sales Growth Agreement ("SGA") or Other Agreement	Item in Disclosure Document
a.	Site selection and acquisition/lease	Not Applicable	Not Applicable
b.	Pre-opening purchases/leases	DA/SGA §§4.1, 4.2, 4.3, 4.4	Item 7
c.	Site development and other pre-opening requirements	Not Applicable	Not Applicable
d.	Initial and ongoing training	Not Applicable	Item 11
e.	Opening	Not Applicable	Not Applicable
f.	Fees	Bill of Sale	Items 5 and 6
g.	Compliance with Standards and Policies/Operating Manual	DA/SGA §§12.4, Article 6.	Not Applicable

	<b>Obligation</b>	<b>Section in Distribution Agreement (“DA”) and Sales Growth Agreement (“SGA”) or Other Agreement</b>	<b>Item in Disclosure Document</b>
h.	Trademarks and proprietary information	DA/SGA §§6.10 and Article 12	Items 13 and 14
i.	Restrictions on products/services offered	DA/SGA §§1.1, 6.1, 6.3, 10.3 and 10.4	Items 8 and 16
j.	Warranty & customer service requirements	DA/SGA Article 6	Not Applicable
k.	Territorial development and sales quotas	Not Applicable	Not Applicable
l.	Ongoing product/service purchases	DA/SGA §4.1 through 4.4	Item 8
m.	Maintenance, appearance and remodeling requirements	DA/SGA §2.3, Advertising Agreement	Not Applicable
n.	Insurance	DA/SGA §14.8, Security Agreement	Item 7
o.	Advertising	DA/SGA §§2.3, 6.1(g), Advertising Agreement	Not Applicable
p.	Indemnification	DA/SGA §14.5	Not Applicable
q.	Owner’s participation/management/staffing	DA/SGA §§6.6, 7.1, 7.2	Item 15
r.	Records and reports	DA/SGA Article 5	Not Applicable
s.	Inspections and audits	DA/SGA §§6.1, 12.4	Item 13
t.	Transfer	DA/SGA Article 9	Item 17
u.	Renewal	DA/SGA §3.2	Not Applicable
v.	Post-termination obligations	DA/SGA §§11.3, 12.2, 14.3	Item 17
w.	Non-competition covenants	DA/SGA §6.3, 6.7	Item 17
x.	Dispute resolution	DA/SGA Article 13, §14.16	Item 17
y.	Develop and maximize sale of Products	DA/SGA §6.1	Item 15
z.	Maintain computer system compatible with BFBD’s system	DA/SGA §6.9	Item 11

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

As we note above, optional financing may be available through ACF. ACF typically finances 95% of the initial purchase fee/price of your Distribution Rights, up to certain maximum caps that differ by geographical area. Other restrictions may also apply. You must meet ACF’s lending criteria in order to qualify for financing. We do not require that you finance your investment or use one of our selected lenders. Assuming that you need financing to purchase Distribution Rights, you are free to select a different lender of your own choosing (*i.e.*, other than ACF), provided that the terms and conditions of any agreements or documents that such lender requires you to sign in order to obtain financing do not conflict with any documents or agreements that we require that you sign as part of becoming a Distributor. We may discontinue or modify this financing program, and add or change lenders, at any time without notice. Different Distributors may receive different terms for their financing. Any changes that we make will not affect financing that is then in place. Your loan may be sold, assigned or discounted to a third party. Note that the loans offered by ACF are for a fixed amount and not an equity line that you can draw on periodically.

### ***Optional Financing Arranged by Franchisor (Subject to applicability and qualification)***

#### **A. Financing Through ACF (ACF is a subsidiary of Bimbo Bakeries Inc., a U.S. subsidiary of Grupo Bimbo).**

The terms of the loan are summarized below. (1)

Item Financed	Source	Doc Fee	Orig. Fee	Amount Financed	Term (Yrs)	Interest Rate (%)	Monthly Payment	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default

Franchise Fee and Certain Other Costs (2)	ACF (3)	\$500 (4)	.5% (one half of one percent) of loan amount (4)	95%	10	9.75 to 11.00 (5)	\$13.08 per \$1000 borrowed (e.g., \$653.85 for a \$50,000 loan). (6)	None (7)	Distribution Rights and related assets as well as the Franchisee's personal guarantee	May be required to pay entire principal balance of the note. (8)	Waive following rights: (a) presentment, (b) demand for payment, (c) protest, notice of dishonor, (d) notice of protest, and (e) notice of default of the note.
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(1) References to agreements and sections (e.g., Promissory Note, Section 1) relate to ACF Financing Documents, which are included in Exhibit B of this Franchise Disclosure Document)

(2) May include the initial franchise fee, inventory purchases, and related startup costs. The terms of the loan are summarized in this Item 10.

(3) Franchisor and its affiliates have made arrangements with Advantafirst Capital Financial Services, Inc. (“ACF”) to enable qualifying franchisees to finance a portion of their franchise fee and certain other costs. ACF is a subsidiary of Bimbo Bakeries Inc., a U.S. subsidiary of Grupo Bimbo.

(4) At closing, you will be required to pay a \$500 documentation fee if you do not currently own any Distribution Rights. In addition, you will be responsible for a bank origination fee of .5% (.005) of the loan amount. Existing franchisees who are purchasing rights to Outlets to add to their current Distribution Rights will be responsible for a \$250 documentation fee (in lieu of the \$500) and no bank origination fee. The documentation fee and the origination fee may be financed.

(5) ACF's interest rate as of January 1, 2025 for individuals with strong credit is 9.75%, for individuals with less than strong credit is 10.75%, and for equipment-only purchases is 11%. ACF's rates are subject to change without notice.

(6) You will be responsible for paying this payment to Franchisor on a weekly basis. We will remit such payment on your behalf to the lender on a monthly basis.

(7) The loan may be prepaid with no penalty. If the borrower prepays an amount equal to or greater than the greater of \$5,000 or 25% of the outstanding loan balance, however, the monthly payment amount in Promissory Note will be recalculated and the borrower will be charged an administration fee of \$350 for re-amortizing the loan balance. Prepayment must be in excess of \$500. (Promissory Note, Section 4)

(8) A “default” includes defaults under any other agreement between the borrower and ACF. This balance shall bear an interest rate of 12% per year (calculated on the basis of a 360-day year). Upon the commencement of any proceeding under any bankruptcy, insolvency or debtor relief laws by or against you, the note, principal, and interest will automatically be due and payable immediately, without notice, demand or presentment of any kind. You must pay all of the lender's costs and expenses of collection, including attorneys' fees and expenses (Promissory Note, Sections 2, 6 and 7). In the event of a default under the bank loan, we could, among other remedies, acquire the bank's interest in your loan and exercise any available remedies to collect such loan from you.

Regardless of whether you obtain financing from ACF or another lender, under the Distribution Agreement and Sales Growth Agreement, you grant us a security interest in all of the assets of your business under the Distribution Agreement or Sales Growth Agreement, which includes without limitation your contract rights, accounts receivable, and proceeds from the sale of assets. This security interest gives us additional rights, as a secured party, if you default under the Distribution Agreement or Sales Growth Agreement.

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

**Except as listed below, Franchisor is not required to provide you with any assistance.**

Prior to the operation of your business, Franchisor will:

1. If you sign a Distribution Agreement, designate your exclusive Sales Area. BFBD designates this area based on numerous factors including (but not limited to) proximity to warehouse, density of customers, and existing nearby Sales Areas already serviced by others. You do not select the Sales Area; BFBD does so before you sign your agreement. BFBD has no other obligation prior to the commencement of operations under your Distribution Agreement.
2. If you sign a Sales Growth Agreement, designate and identify the Outlets you have rights to sell Products to.

During the operation of your business, Franchisor will:

1. Give you credit for damaged or off code product provided the terms of BFBD's then-current stale and damage return policy is fully complied with. (Distribution Agreement and Sales Growth Agreement, Section 4.5)
2. If applicable, purchase your accounts receivables from Product Sales to Charge Outlets. (Distribution Agreement and Sales Growth Agreement, Sections 5.1 and 5.2)
3. Use commercially reasonable efforts to deliver to you sufficient quantities of the Products to supply your Outlets. (Distribution Agreement and Sales Growth Agreement, Section 8.1)
4. Use commercially reasonable efforts to inform you of new Outlets. (Distribution Agreement and Sales Growth Agreement, Section 8.1)
5. Use commercially reasonable efforts to pursue the development of new products. (Distribution Agreement and Sales Growth Agreement, Section 8.1)
6. Use commercially reasonable efforts to assist in pursuing Product promotions and sales opportunities in the Outlets. (Distribution Agreement and Sales Growth Agreement, Section 8.1)
7. Use commercially reasonable efforts to negotiate with Chains on your behalf. (Distribution Agreement and Sales Growth Agreement, Section 8.2)
8. If an Outlet informs BFBD of any new service requirements, communicate to you those new service requirements. (Distribution Agreement and Sales Growth Agreement, Section 8.2)
9. If you do not perform your obligations under your Agreement and do not make adequate alternative arrangements at your expense for such services, we may make the arrangements at your expense and perform the services, if we can, for your account. Our decision to provide temporary services will not excuse your non-performance or otherwise relieve you of your contractual liability for such non-performance. (Distribution Agreement and Sales Growth Agreement, Section 10.2)

Although not obligated to do so, Franchisor and its affiliates may advertise some or all of the Products in various media on a local, regional or national level. In some instances, Franchisor may also offer you the ability to enter into an advertising agreement that permits Franchisor to apply advertising decals or other

materials to your delivery vehicle (if you are required to have one) and permit you to purchase certain items of clothing with our brands and/or logos on them (Advertising Agreement). You are not required to enter into this advertising agreement. However, if you do not, you may not have our brands or logos on your vehicle (if any) or on any clothing you wear while operating your Distribution Rights. (Distribution Agreement and Sales Growth Agreement, Section 12.1).

You are permitted to develop your own marketing or promotional materials provided that any of these materials that use Franchisor's or its affiliates' trademarks or service marks (see Item 13, below) must be submitted to Franchisor for approval and cannot be used without our prior written consent (Distribution Agreement and Sales Growth Agreement, Section 12.1).

We do not require you to participate in any advertising cooperative or contribute to any advertising fund. All expenditures on advertising are completely within your discretion, see Item 9.

### **Computer Ordering System**

Once you purchase your handheld computer ordering system and printer, we will (if not already done) load your handheld computer with our proprietary software applications at no charge to enable you to transmit orders to us and provide accounting information from the field. The cost to purchase the handheld computer and printer from us ranges from \$1,300 to \$2,000, plus applicable sales tax. Optional financing for the purchase of the Computer Equipment, may be available through ACF. If you choose to finance your purchase, you will be required to execute the financing documents of ACF for the computer equipment, which are substantially the same form of documents as the ACF documents for financing the purchase of your Distribution Rights (examples of those financing documents are attached as Exhibit B to this disclosure document). We have the right to require you to exchange or replace the equipment occasionally with new equipment. There are no contractual limitations or obligations on the frequency of upgrades or updates. Apart from the purchase price and the current fee of \$18.92/week for the Technology Fee (as described in Item 6), there is no additional cost for optional or required maintenance, updating, upgrading or support for the computer system.

Your handheld computer will automatically synchronize with our computer system, so we will be able to access all information entered by you. The information entered relates to what Products are sold or ordered by you, and about the Outlets that you sell to. There are no contractual limitations on our right to access the information. You are required to maintain a computer system compatible with the system maintained by BFBD now or in the future during the term of the Distribution Agreement or Sales Growth Agreement. (Distribution Agreement and Sales Growth Agreement, Section 6.9). There is no contractual limitation on the costs of this obligation.

The hand-held computer will be used to record all of your daily transactions including product purchases, product returns, customer invoices including quantity and price by SKU, and future dated product orders. Daily transactions are uploaded to our host system and used to bill customers, determine production requirements, and settle accounts with the Distributor. Additional information may be collected as such technologies are developed. While the current system does not track your exact location, it will notify you if you are not near the Outlet (customer) you are submitting an invoice for; this is done solely for the purpose of making sure you are not unintentionally billing the wrong Outlet. All sales information uploaded from the hand-held computer system is available to the Distributor.

The Sales Area, or list of Outlets if signing a Sales Growth Agreement, is determined by us based on our need to ensure that the needs of all of the outlets wanting to purchase our products are covered.

You may typically begin operating under your Distribution Rights after the later of you signing the Distribution Agreement or Sales Growth Agreement or the effective date of the Closing when you purchase your Distribution Rights. The time period you will require to start operations may be affected by your ability to obtain financing, transportation, or the hand-held computer system or other factors outside of your (or our control), such as