February 20, 2016

PIROSHKY PIROSHKY
EST. 1992

Air Projects, Inc.
Attn. Emily Escrader
908 King Street, Suite 400E
Alexandria, VA 22314

RE: SEA-TAC AIRPORT CEP – FOOD SERVICE – SINGLE UNIT 8

Dear Ms. Escrader,

Piroshky Piroshky Bakery is happy to submit our proposal to the Port of Seattle-Tacoma International Airport Dining and Retail Competitive Evaluation Process (CEP). We are specifically interested in the Central Terminal Unit CT-3, Food Service – Single Unit 8. Having examined the CEP issued on Dec. 14, 2015, we feel our company exceeds all of the requirements and expectations as a food vendor at SEA-TAC.

Piroshky Piroshky has been a staple of the Seattle Pike Place Market since 1992. We have a history of being a well-run, high-volume operation. With $8500/per sf in annual sales, we are the highest gross producer per square foot in Seattle. Our high quality, fresh-baked goods, exceptional customer service and price point have made us famous all over the world. We have a huge following that will be thrilled to see our pastries as soon as they step off the plane, or enjoying one last bite before they fly to their next destination.

Piroshky Piroshky will bring diversity, local brand recognition, high sales, northwest-inspired menu, and efficient operations to Sea-Tac. Our consistent ownership, exceptional management, and dedicated employees make us the best choice to be a tenant at Sea-Tac.

Ms. Olga Sagan, in the capacity of Owner, is duly authorized to enter into a lease agreement for and on behalf of Piroshky Piroshky Bakery, headquartered at 309 South Cloverdale Street, Unit D16, Seattle WA 98108.

The attachments to this letter form an integral part of our submittal. Thank you for giving us this opportunity. We look forward to hearing from you.

Sincerely,

Olga Sagan
Owner
(206) 999-7456
olga@piroshkybakery.com

Section 1 – Background, Experience and Financial Capability

Piroshky Piroshky Bakery is an LLC registered in the state of Washington. The members are Olga Sagan and Oliver Kotelnikov. The Articles of Organization are attached to this section.

Piroshky Piroshky Bakery LLC Main Office	**309 S. Cloverdale St D16, Seattle, WA 98108 www.piroshkybakery.com**	**(206) 764-1000**
Olga Sagan, Member	929 N 84th Street, Seattle WA 98103	(206) 999-7456
Oliver Kotelnikov, Member	6812 37th Ave NE, Seattle WA 98115	(206) 406-2439

We will use the following sources of funding for tenant improvements and working capital:

15% Business investment – Existing cash flow
80% Bank Loan
5% Owner Equity

A rare vacancy opportunity at the Pike Place Market led Russian-Estonian emigres Vladimir and Zina Kotelnikov to open Piroshky Piroshky in 1992. Their son and present partner/owner Oliver Kotelnikov was involved in the business since its inception. Since 2005, he and his partner Olga Sagan took over the day-to-day operations and formally purchased the business from his parents in 2008. Since then, they have opened another company, Piroshky Baking Company to increase their presence in Puget Sound. Today the company is jointly owned and operated by Olga Sagan and Oliver Kotelnikov. The LLC operates a total of four retail locations and a wholesale kitchen in the Seattle area. We currently employ 26 full time and 30 part-time employees.

Our loyal following encouraged us to open a location at the Northgate Mall in August 2014. The success of the new location gave way to additional Piroshky Piroshky outlets in Columbia Tower Center and Southcenter Mall in 2015.

The company has operated a retail bakery successfully for 23 years in the busiest tourist district in the state of Washington and sees at least 10% growth annually. Since 2014, the company has expanded to shopping mall food court locations. As the company grows, the leadership of Piroshky Piroshky ensures that the standards of the bakery are respected. In addition to overseeing all retail operations, processing of wholesale deliveries, collaborating with the vendors concerning orders, the company is able to manage the employees and keep up with state and federal laws and regulations.

Four retail locations currently operate in high-traffic business districts and shopping centers with the offered concept. They are: Seattle's Pike Place Market; Columbia Center; Northgate Mall; and Westfield Southcenter Mall. In each location, Piroshky Piroshky delivers consistent quality products with excellent retail customer service in fast, friendly environments. The mall locations are open every day and are also subject to extended holiday hours.

Piroshky Piroshky is a bakery in the heart of Pike Place Market that serves up freshly baked savory and sweet pastries. We opened our doors for the very first time in 1992 hoping to bring a taste of Eastern Europe to the Pacific Northwest. Blending traditional recipes with local flavor, our selection of piroshkies offer a wide array of choices, both savory and sweet. Traditionally served throughout markets and homes in Eastern Europe, we are often asked is 'What is a Piroshky?' The simple answer is that they are hand-held pies, and their fillings are as diverse and differing as the cultures and people who make and serve them. That is the beauty of piroshky.

A Pike Place classic for 23 years, two decades ago we decided to embrace and integrate the taste of the Northwest into our own traditional recipes. Our piroshky are individually made from scratch and hand molded into their very own unique shapes. Though our bakery at Pike Place Market is small, our selection is anything but. We always have a line that stretches well outside the bakery and needs to be guided by stanchions, just like at an airport. Line greeters aid the crowd by passing out menus and help them decide what to get by answering any questions. It is not uncommon for piroshky to go straight from the oven and into the customer hands. Perfect for a quick bite but they're also incredibly filling.

We enjoy a solid relationship with our banking institution and can access intermediate and long-term capital to support our working capital and fixed assets requirements. We have never defaulted on a prior agreement, nor have we ever had an agreement terminated for cause.

There are no judgments or lawsuits currently pending or any lawsuit filed against or judgment offered against the owners or the company within the last ten years. No lawsuits have been filed by the owners or the company in the last ten years. The owners or the company have not declared bankruptcy, nor filed a petition in any bankruptcy court, nor filed for protection from creditors in bankruptcy court nor been named as a defendant in any legal proceedings, nor have had involuntary proceedings filed in bankruptcy court.

Piroshky Piroshky is not yet ACDBE-certified and is not seeking certification at this time. Balance sheet and income statements are attached.

1. Piroshky Piroshky Pike Place Market	1908 Pike Place, Seattle, WA 98101
Landlord	Pike Place Market PDA
Property Manager	Jennifer Maietta
Address	85 Pike Street, Room 50, Seattle, WA 98101
Telephone	206.774.5279
Emplanements/Location Type	N/A Business District
Square Footage	354
Gross Sales for 2015	$3,130,247
Gross Sales 2014	$2,630,591
Gross Sales 2013	$2,208,997
Average Sales per Transaction	$8.00
Guaranteed Rent	$36/sf
Percentage Rent	7%
Actual rent Paid 2015	$219,117
Actual rent Paid 2014	$184,141
Actual rent Paid 2013	$154,629
Term of lease	7 Year
Commencement date	August 1, 2015
Expiration date	July 31, 2022
Capital Investment	$681,040
Build out	-
Refurbishments	-

We have operated for 23 years at our original location in Seattle's world famous Pike Place Market between Stewart St. and Virginia St. We are in one of the most historic and congested areas therefore it is an advantage and a challenge to get our product to our customers. The activity and spirited interaction between pedestrians, bikes, carts, and cars is a feature of the Market.

Delivery times are severely limited, only allowed from 2am – 6am. The use of a shared freight elevator and common space with many obstacles requires extra courtesy. The historic building is 80 years old and as a result we encounter resource shortages such as limited power supply.

We believe that given more space the business has the capacity to increase sales by 40-50%. The 354sf site includes both the production and customer area, which limits traffic flow and on-site dining.

We operate under high and low seasonal conditions. The busy summer months of June, July, and August make up 60% of the annual income for this location. Seasonal hire turnover is typical, with many returning seasonal employees. Employee retention is not a challenge, as we pay above average compensation and offer excellent benefit plans.

2. Columbia Center	701 5th Avenue, Seattle, WA 98104
Landlord	Urban Renaissance Group, LLC
Property Manager	Liz Schmidt
Address	701 5th Avenue, Suite 4150, Seattle, WA 98101
Telephone	(206) 386.5388
Emplanements/Location Type	N/A Business District
Square Footage	700
Gross Sales for 2015 – 6 months	$131,246 (from June 1 –Dec 31, 2015)
Gross Sales 2014	n/a
Gross Sales 2013	n/a
Average Sales per Transaction	$6.00
Guaranteed Rent	$18/sf
Percentage Rent	6% over natural break point
Actual rent Paid 2015	$9,810 (from June 1 –Dec 31, 2015)
Actual rent Paid 2014	n/a
Actual rent Paid 2013	n/a
Term of lease	5 Year
Commencement date	June 1, 2015
Expiration date	5/31/20
Capital Investment	$96,000
Build out	-
Refurbishments	-

In Spring 2015, Piroshky Piroshky opened a store in the Columbia Center atrium food court. Columbia Center is the tallest skyscraper in Seattle and contains 76 stories of class-A office space. Seattle's most iconic building is positioned in the heart of the Financial district and is a high-security building, therefore badging is necessary for all employees. All deliveries must be made before 6am to a very small and busy loading dock. All delivery drivers must undergo additional security screening to meet the building requirements.
Hours of operation in Columbia Center are 7am – 3pm Monday – Friday, and closed on major holidays.
There is low turnover at this location as employees enjoy flexible scheduling, paid transportation to work and excellent benefit plans.

3. Northgate Mall	401 NE Northgate Way Ste VC07, Seattle, WA 98125
Landlord	Simon Properties (Northgate Mall)
Property Manager	Michele Chapman
Address	401 NE Northgate Way, Suite 210, Seattle, WA 98125
Telephone	(206) 417-9000
Emplanements/Location Type	N/A Shopping Center
Square Footage	700
Gross Sales for 2015	$335,088
Gross Sales 2014 – 5 Months	$168,085 (Aug 1-Dec 31 2014)
Gross Sales 2013	n/a
Average Sales per Transaction	$6.00
Guaranteed Rent	$4000/mo
Percentage Rent	10% above $30K
Actual rent Paid 2015	$45,925
Actual rent Paid 2014	$23,762 (Aug 1-Dec 31 2014)
Actual rent Paid 2013	n/a
Term of lease	1 Year
Commencement date	August 1, 2015
Expiration date	July 31, 2016
Capital Investment	$35,000
Build out	-
Refurbishments	-

Mall hours require this location to be open and serve customers at all times the mall is open. Extended holiday hours require us to open as early as 5am and close at midnight, as well as be open on Thanksgiving and New Years day. Although opening hours are considered late for a bakery we have consistent pedestrian traffic at Northgate, as our local following enjoys the convenience of our product at a popular mall location.

Employee retention is not a challenge at all, as we pay above average compensation and offer excellent benefit plans. The food court is easily accessible for deliveries.

Business Reference 1
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Business Reference 1
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mary@mary-marshall.com

Banking Reference
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VP Small Business Banker Manager
Bank of America
10833 NE 2nd Street
Bellevue, WA 98004
(206) 678-7747
michael.a.gonzalez@bankofamerica.com

PIROSHKY PIROSHKY BAKERY LLC

MEMBERSHIP UNIT CONVERSION AND SUBSCRIPTION AGREEMENT

THIS AGREEMENT is made effective January 1, 2012, by and between PIROSHKY PIROSHKY BAKERY, LLC, a Washington limited liability company, whose address is 309 Cloverdale Street, Unit C32, Seattle, WA 98108 (the "Company"), OLGA SAGAN whose address is 929 N. 84th Street, Seattle, WA 98103 ("Olga"), and OLIVER KOTELNIKOV whose address is 6900 East Green Lake Way N., No. 233, Seattle, WA 98115 ("Oliver").

1. **DEFINITIONS.** For the purposes of this Agreement:

a. "Certificate of Formation" means the Certificate of Formation of the Company filed with the Secretary of State for the State of Washington in accordance with and pursuant to RCW 25.15.070 of the Washington Limited Liability Company Act, a copy of which is attached hereto as Exhibit A;

b. "Closing" means the completion of the issuance of the Subscription Units pursuant to Section 3 of this Agreement;

c. "LLC Agreement" means the Amended and Restated Limited Liability Company Agreement dated January 1, 2012, which will be in effect as of the date of the Closing, a copy of which is attached hereto at Exhibit B;

d. "Person" means an individual, trust, partnership, company, Company or other legal entity; and

e. "Issued Units" means the Ten Thousand (10,000) membership units of the Company issued to Oliver upon formation of the Company in 2007.

f. "Subscription Units" means the Ten Thousand (10,000) membership units of the Company subscribed for by Olga and issued by the Company pursuant to this Agreement.

2. **CONVERSION OF AND SUBSCRIPTION FOR UNITS.** Subject to the terms and conditions contained in this Agreement and in consideration of the agreement between Olga and Oliver to convert the martial community's ownership in the Company into separate and equal interests in the Company:

a. The parties hereby agree that the Issued Units are and shall hereafter be converted into the separate property of Oliver. To that effect, Olga hereby expressly releases and relinquishes all right, title, claim or interest that she now has or may now have in the Issued Units.

b. Olga hereby subscribes for, and the Company agrees to issue to Olga as her separate property, the Subscription Units. To that effect, Oliver hereby expressly releases and

relinquishes all right, title, claim or interest that he now has or may now have in the Subscription Units.

c. Each party to this Agreement shall bear their own costs and expenses with respect to the conversion of the Issued Units to Oliver's separate property and issuance of the Subscription Units to Olga as her separate property.

3. CLOSING.

The Closing for subscription and issuance of the Subscription Units to Olga shall be deemed effective January 1, 2012, at 11:00 A.M. local time, at the offices of Invicta Law Group, PLLC. Said Closing shall be retroactive upon Olga and Oliver each executing and delivering to Invicta Law Group the following documents: (i) a counterpart of this Agreement and (ii) a counterpart of the LLC Agreement to the Company. Upon Closing, the Company will deliver to Oliver and to Olga: (i) a fully executed counterpart of this Agreement and (ii) a fully executed counterpart of the LLC Agreement.

4. CONDITIONS TO CLOSING.

a. The obligations of the parties under this Agreement are expressly conditional upon and subject to fulfillment of the representations and warranties of the parties set out in Section 5 of this Agreement which shall be true and correct in all material respects at the time of the Closing.

b. If any of the conditions provided for in this Section 4 are not fulfilled, the parties shall have the option of terminating his, her or its obligations pursuant to this Agreement by giving notice to the other parties to that effect. Upon delivery of such notice, all rights and obligations of the parties under this Agreement shall immediately terminate and shall be null and void. In the event of any such termination, neither the Company, Oliver nor Olga shall be liable to the other party for any damages, costs or expenses incurred by reason of the negotiation, execution or termination of this Agreement.

5. REPRESENTATIONS AND WARRANTIES.

a. Of the Company. The Company makes the following representations and warranties to Olga, each of which is material and is being relied upon by Olga, and states that each is true and correct as of the date hereof, shall be true and correct as of the date of the Closing, and shall survive the Closing and be binding on the Company and its successors and assigns:

i. Organizing and Standing. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Washington. The Company is duly authorized to carry on the business now carried on by it and to own all property now owned by it.

ii. **Capitalization and Ownership at the Date of Closing.** The Certificate of Formation and LLC Agreement of the Company on the effective date of this Agreement are attached hereto as Exhibit A and Exhibit B. As of the date of Closing, the Company will have issued and there will be outstanding Twenty Thousand (20,000) membership units. As of the date of Closing, all of the Subscription Units will have been duly authorized and, when the Subscription Units are issued and the conditions to Closing provided for in Section 4(a) have been fulfilled, all membership units will be validly issued and fully paid. At Closing, Olga will receive good and valid legal and beneficial title to the Subscription Units free and clear of any claim, lien, encumbrance, charge, equity, contractual obligation or commitment to any Person except as set forth in the LLC Agreement. There is no outstanding right to subscribe for or purchase from the Company any membership units of the Company.

iii. **Government Consents.** As of the date of Closing, all necessary or appropriate consents, approvals, authorizations or other action by, or filing, registration or qualification with, any administrative or government body of any jurisdiction required of the Company in connection with the execution, delivery and performance of this Agreement by the Company and the offer, issue, sale and delivery by the Company of the Subscription Units as provided for in this Agreement will have been obtained or made, as the case may be.

iv. **Due Execution, Delivery and Performance.** Neither the execution and delivery of this Agreement by the Company nor the performance by the Company of any of its obligations under this Agreement: (a) conflicts with or is in violation of any laws, regulations or orders of any applicable jurisdiction which are binding on the Company; (b) conflicts with or will result in a breach of any of the terms, conditions or provisions of the Certificate of Formation or LLC Agreement of the Company or of any agreement or instrument to which the Company is a party or by which it is bound, or constitutes or will constitute a default or will relieve the other party of its obligations under any such agreement or instrument; or (c) will result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Company, or in any way impair the rights granted or agreed to be granted to Olga.

v. **Membership Action.** The execution and delivery of this Agreement by the Company and the performance of its covenants and undertakings in accordance with this Agreement have been duly authorized by all requisite member action, and the Company has the power and authority to enter into this agreement and to perform the covenants and undertakings to be performed by the Company hereunder. Upon execution and delivery, this Agreement will constitute the legal, valid and binding obligation of the Company, enforceable in accordance with its terms.

b. **Of Olga.** Olga makes the following representations and warranties to the Company, each of which is being relied upon by the Company, and states that each is true and correct as of the date hereof, shall be true and correct as of the date of the Closing, and shall survive the Closing and be binding on Olga and Olga's successors, heirs and assigns:

i. **Status of Olga.** Olga is knowledgeable, sophisticated and experienced in making, and is qualified to make, decisions with respect to investments in securities such as the Subscription Units and has requested, reviewed and considered all information Olga deems relevant in making a decision to execute this Agreement and to subscribe for the Subscription Units. Olga is acquiring the Subscription Units for investment for Olga's own account and not with a view to a distribution thereof.

ii. **Investment Risks.** OLGA REPRESENTS TO COMPANY THAT OLGA UNDERSTANDS THAT COMPANY IS IN AN EARLY DEVELOPMENT STAGE IN A HIGHLY COMPETITIVE INDUSTRY AND THAT OLGA'S INVESTMENT IN THE SUBSCRIPTION UNITS INVOLVES A HIGH DEGREE OF RISK AND IS HIGHLY SPECULATIVE. OLGA UNDERSTANDS THAT NO GUARANTEE CAN BE GIVEN FOR THE PRESENT OR FUTURE VALUE OF THE SUBSCRIPTION UNITS.

iii. **Voluntary Subscription.** The subscription of the Subscription Units is entirely voluntary and the subscription and sale thereof was solicited by Olga without any coercion, compulsion or mandate from the Company or any member or manager of the Company.

iv. **Subscription for Investment Purposes Only.** The Subscription Units are being acquired for the purpose of investment only, and not with a view to, or for purpose in connection with, the distribution thereof, nor with any present intention of distributing or selling any of the Subscription Units. Olga confirms that no person or entity other than Olga has any interest in the Subscription Units and Olga intends to hold the same solely for long term investment.

v. **Information Made Available.** Olga acknowledges that Olga and any advisors understand that an investment in the Subscription Units involves substantial risks, and are fully cognizant of, and understand, all of the risk factors relating to a subscription of the Subscription Units. Olga further acknowledges that she has been provided with all materials and information requested by Olga, any counsel, or others representing Olga. There has been made available to both Olga and any advisors the opportunity to ask questions of and receive answers from the Company and its directors, officers, employees, and representatives concerning the terms and conditions of this investment.

vi. **Reliance.** Olga acknowledges that Olga is fully aware of the business risks of investment in the Subscription Units. Except for the information otherwise provided to her as expressly set forth in this Agreement, Olga is not relying upon any statement, warranty or assurance, oral or written, from the Company or the Company's members, managers, attorneys or any person affiliated with the Company, in determining to subscribe for the Subscription Units for the consideration recited herein. Olga confirms that Olga is fully satisfied with the results of Olga's independent review and is fully informed of all information necessary to make the decision to subscribe for the Subscription Units and to perform according to this Agreement and the Exhibits hereto. Olga expressly waives and disclaims any need, request or desire to more fully acquaint Olga with the books and records

of the Company or to receive any disclosure, warning, advice or information from the Company or Company's members, managers, attorneys or any person affiliated with the Company other than as set forth in this Agreement.

vii. **Restricted Securities.** Olga hereby confirms that Olga has been informed that the offer and sale of the Subscription Units has been conducted pursuant to the exemption from registration contained in Sections 4(2) and 4(6) of the Securities Act of 1933 (the "Act") and Regulation D promulgated thereunder. Olga further acknowledges that in claiming the exemption from registration the Company is relying in part upon the representations set forth herein. The undersigned further understands and agrees that the Subscription Units cannot be offered, sold, transferred, pledged or hypothecated to any person in the absence of registration under the Securities Act of 1933 and applicable state securities laws, or an opinion of counsel satisfactory to the Company that such registration is not required. Accordingly, Olga hereby acknowledges that Olga is prepared to hold the Subscription Units for an indefinite period and that Olga is aware that Rule 144 promulgated under the Act is not presently available to exempt the sale of the Subscription Units from the registration requirements of the Act. If Rule 144 subsequently becomes available, Olga is aware that any sale of the Subscription Units effected pursuant to the Rule may, depending upon the status of Olga as an "affiliate" or "non-affiliate" under the Rule, be made only in limited amounts in accordance with the provisions of the Rule, and that in no event may any Units be sold pursuant to the Rule until Olga has held the Subscription Units for the requisite holding period.

viii. **Lack of Diversification.** Olga acknowledges that she has been advised and that she is aware that there is no diversification of the business of the Company. The viability of the business is affected by many economic factors, many of which are not within the control of the Company.

ix. **Authority, Due Execution, Delivery and Performance.** Olga has the requisite power and authority to enter into this Agreement and to perform the obligations, covenants and undertakings to be performed by Olga hereunder and has taken all action necessary to subscribe for the Subscription Units pursuant to this Agreement. Upon execution and delivery, this Agreement will constitute the legal, valid and binding obligation of Olga.

x. **Offshore Sales under Regulation S.** Olga is a resident of the United States. If Olga is not a resident of the United States, then Olga acknowledges and agrees that the Subscription Units have not been registered under the Act and may not be offered or sold in the United States or to any persons considered to be a "U.S. person" as such term is defined under SEC Regulation S unless the Subscription Units are registered under the Act, or an exemption from the registration requirements of the Act is available. Olga further acknowledges and agrees that hedging transactions involving the Subscription Units may not be conducted unless in compliance with the Act.

6. OTHER AGREEMENTS.

a. All members of the Company and the Company are parties to the LLC Agreement. Accordingly, as a condition to purchasing the Subscription Units, Olga shall promptly execute and deliver to the Company a counterpart of the LLC Agreement. To the extent any provision of the LLC Agreement is in conflict with or inconsistent with any provision of this Agreement, this Agreement shall be controlling.

b. The parties acknowledge and expressly agree that, although the leasehold for 1908 Pike Place, Seattle, is held in the name of one of the parties, the leasehold has been and shall continue to be held for the benefit of the Company.

7. NOTICE.

a. All notices, demands or other communications under this Agreement shall be given or made in writing, and shall be delivered personally, or sent by certified or registered mail, with return receipt requested:

i. If to the Company, at its address set out at the head of this Agreement, or at such other address as may have been notified to Olga and Oliver by the Company, with a copy to Invicta Law Group, PLLC, 2775 Harbor Avenue SW, Suite D, Seattle, WA 98126-2138, Attn.: Mark V. Jordan; and

ii. If to Olga, at Olga's address set out at the head of this Agreement or at such other address as may have been notified to the Company and Oliver by Olga.

iii. If to Oliver, at Oliver's address set out at the head of this Agreement or at such other address as may have been notified to the Company and Olga by Oliver.

b. Any notice, demand or other communication given or made by mail in the manner prescribed in this section shall be deemed to have been received five (5) days after the date of mailing.

8. EXHIBITS AND HEADINGS. The Exhibits to this Agreement are an integral part hereof. The headings of the sections of this Agreement are used for convenience only and shall not affect the meaning or interpretation of the contents of this Agreement.

9. ADDITIONAL ACTION. Each party to this Agreement shall execute and deliver such other documents and do such other acts and things as may be necessary or desirable to carry out the terms, provisions and purposes of this Agreement.

10. AMENDMENTS. No amendment, interpretation or waiver of any of the provisions of this Agreement shall be effective unless made in writing and signed by the parties to this Agreement.

ENMENT. This Agreement shall be binding upon and shall inure to the benefit of each of the parties and their successors, heirs or permitted assigns, as the case may be, and any such successors, heirs or assigns shall be deemed substituted for the original party under the provisions of this Agreement. In the event Olga or Oliver dies or is totally disabled before the Closing, the rights and obligations of Olga or Oliver shall terminate automatically upon death or disability, but after the date of the Closing all the rights and obligations of Olga or Oliver shall inure to the benefit of, and be binding upon, the heirs or legal representatives of Olga or Oliver. Notwithstanding the foregoing, the obligations of each of the parties under this Agreement are expressly declared to be personal and can be assigned only to a successor or with the consent in writing of the other parties to this Agreement. With respect to a corporate entity, the term "successor" for the purposes of this section shall mean any person, firm, Company or business entity which at any time, whether by purchase, merger, assignment or otherwise, acquires all or substantially all of the assets or business of such corporate entity.

12. **ENFORCEMENT.** The failure to enforce or to require the performance at any time of any of the provisions of this Agreement shall not be construed to be a waiver of such provisions, and shall not affect either the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every provision in accordance with the terms of this Agreement.

13. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes all prior agreements between the parties, whether written or oral, with respect to the subject matter of this Agreement. Each of the parties to this Agreement acknowledges that, in agreeing to enter into this Agreement, it has not relied on any representations or warranties other than those contained in this Agreement.

14. **GOVERNING LAW.** This Agreement and the relationships of the parties in connection with the subject matter of this Agreement shall be governed by and determined in accordance with the laws of the State of Washington.

15. **SEVERABILITY.** If any severable provision of this Agreement is held to be invalid or unenforceable by any judgment of a tribunal of competent jurisdiction, the remainder of this Agreement shall not be affected by such judgment, and the Agreement shall be carried out as nearly as possible according to its original terms and intent.

16. **LEGAL REPRESENTATION.** The Company has been represented by the Invicta Law Group, PLLC in connection with the preparation and negotiation of this Agreement and the documents related hereto and in connection with the consummation of the transactions contemplated hereby. Olga and Oliver acknowledge that: (a) each has been advised by the Company to retain legal counsel in connection with this Agreement; and (b) each has read and understands this Agreement and the documents related hereto.

IN WITNESS WHEREOF, the parties hereto have signed or caused this Agreement to be signed as of the day and year first above written in his/her separate estate.

PIROSHKY PIROSHKY BAKERY, LLC

By: _____
Oliver Kotelnikov, Its Member

_____
Olga Sagan

_____
Oliver Kotelnikov

EXHIBIT A
TO
MEMBERSHIP SUBSCRIPTION AGREEMENT

CERTIFICATE OF FORMATION

UNITED STATES OF AMERICA

The State of Washington

Secretary of State

I, SAM REED, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF FORMATION

to

PIROSHKY PIROSHKY BAKERY, LLC

a/an WA Limited Liability Company. Charter documents are effective on the date indicated below.

Date: 9/10/2007

UBI Number: 602-760-358

APPID: 949622

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

Sam Reed, Secretary of State

FILED
SECRETARY OF STATE
SAM REED

September 10, 2007

STATE OF WASHINGTON

602 760 358

09/10/07 1132653-002
$195.00 R #SUCCESS-6
id:1363614

CERTIFICATE OF FORMATION
OF
PIROSHKY PIROSHKY BAKERY, LLC

The undersigned does hereby submit this Certificate of Formation for the purpose of forming a limited liability company under the Washington Limited Liability Company Act.

ARTICLE 1. NAME

The name of this limited liability company is PIROSHKY PIROSHKY BAKERY, LLC.

ARTICLE 2. REGISTERED OFFICE AND AGENT

The initial Registered Agent and Registered Office of this limited liability company are as follows:

Registered Agent	Registered Office, Street and Mailing Address
Mark V. Jordan	1000 Second Avenue, Suite 3310 Seattle, WA 98104-1019

ARTICLE 3. PRINCIPAL PLACE OF BUSINESS

The address of the principal place of business of this limited liability company is 1908 Pike Place, Seattle, WA 98101.

ARTICLE 4. MANAGEMENT

Management of this limited liability company is vested in one or more members.

ARTICLE 5. NAME AND ADDRESS EACH PERSON EXECUTING THIS CERTIFICATE

The names and addresses of the persons executing this Certificate are as follows:

Name	Mailing Address
Mark V. Jordan	1000 Second Avenue, Suite 3310 Seattle, WA 98104-1019

DATED September 10, 2007.

Mark V. Jordan, Executor

CONSENT TO APPOINTMENT
AS REGISTERED AGENT

Mark V. Jordan hereby consents to serve as Registered Agent, in the State of Washington, for PIROSHKY PIROSHKY BAKERY, LLC, a Washington limited liability company. I understand that as agent for this limited liability company, it will be my responsibility to accept service of process on behalf of this limited liability company; to forward license renewals and other mail to this limited liability company; and to immediately notify the Secretary of State in the event of our resignation or of any changes in the Registered Office address.

DATED September 10, 2007.

Mark V. Jordan

EXHIBIT B
TO
MEMBERSHIP SUBSCRIPTION AGREEMENT

LIMITED LIABILITY COMPANY AGREEMENT

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
PIROSHKY PIROSHKY BAKERY, LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT is made and entered into effective as of January 1, 2012, by and between PIROSHKY PIROSHKY BAKERY, LLC, a Washington limited liability company (the "Company"), Olga Sagan, in her separate estate, and Oliver Kotelnikov in his separate estate.

1. DEFINITIONS. The following terms used in this Agreement shall have the following meanings (unless otherwise expressly provided herein):

"**Act**" means the Washington Limited Liability Company Act (Chapter 25.15 RCW), as amended from time to time.

"**Affiliate**" means any Entity that is controlled by a Member. For the purposes of this definition, the term "controlled" shall mean ownership of greater than fifty percent (50%) of (i) the outstanding equity interests in any Entity, or (ii) the outstanding voting rights of any Entity.

"**Capital Account**" means the capital account determined and maintained for each Member pursuant to Section 8.3.

"**Capital Contribution**" means any contribution to the capital of the Company in cash or property by a Member whenever made.

"**Certificate of Formation**" means that certain Certificate of Formation pursuant to which the Company was formed, as originally filed with the office of the Secretary of State on September 10, 2007, and as the same may be further amended or restated from time to time.

"**Code**" means the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal revenue laws.

"**Company**" means PIROSHKY PIROSHKY BAKERY, LLC."

"**Company Minimum Gain**" has the same meaning as the term "partnership minimum gain" in Regulation Sections 1.704-2(b)(2) and 1.704-2(d).

"**Deficit Capital Account**" means with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year, after giving effect to the following adjustments:

(i) credit to such Capital Account any amount that such Member is obligated to restore to the Company under Regulation Section 1.704-1(b)(2)(ii)(c), as well as any addition thereto pursuant to the next to last sentences of Regulation Sections 1.704-2(g)(1) and (i)(5); and

(ii) debit to such Capital Account the items described in Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

This definition of "Deficit Capital Account" is intended to comply with the provisions of Regulation Sections 1.704-1(b)(2) (ii)(d) and 1.704-2, and will be interpreted consistently with those provisions.

"**Distributable Cash**" means all cash received by the Company, less the sum of the following to the extent paid or set aside by the Company: (i) all principal and interest payments on indebtedness of the Company and other sums paid or payable to lenders; (ii) all cash expenditures incurred incident to the normal operation of the Company's business; and (iii) Reserves.

"**Entity**" means any general partnership, limited partnership, limited liability partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association or any other organization that is not a natural person.

"**Majority Interest**" means, at any time, more than fifty percent (50%) of the then outstanding Units held by Members.

"**Membership Interest**" means all of a Member's share in the Net Profits, Net Losses, and other tax items of the Company and distributions of the Company's assets pursuant to this Agreement and the Act and all of a Member's rights to participate in the management or affairs of the Company, including the right to vote on, consent to or otherwise participate in any decision of the Members.

"**Member**" means each person listed on Schedule 1 hereto.

"**Member Minimum Gain**" has the same meaning as the term "partner nonrecourse debt minimum gain" in Regulation Section 1.704-2(i)(3).

"**Member Nonrecourse Deductions**" has the same meaning as the term "partner nonrecourse deductions" in Regulation Sections 1.704-2(i)(1) and (2). The amount of Member Nonrecourse Deductions for a Company fiscal year shall be determined in accordance with Regulation Section 1.704-2(i)(2).

"**Net Profits**" and "**Net Losses**" shall have the meaning ascribed to those terms in Section 9.5.

"**Nonrecourse Deductions**" has the meaning set forth in Regulation Section 1.704-2(b)(1). The amount of Nonrecourse Deductions for a Company fiscal year shall be determined pursuant to Regulation Section 1.704-2(c).

"**Nonrecourse Liability**" has the meaning set forth in Regulation Section 1.704-2(b)(3).

"**Percentage Interest**" means, with respect to any Member, the percentage determined upon the basis of the ratio that the number of Units held by such Member bears to the total number of outstanding Units.

"**Person**" means any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such "Person" where the context so permits.

"**Regulations**" includes proposed, temporary and final regulations promulgated under the Code and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.

"**Reserves**" means, with respect to any fiscal period, funds set aside or amounts allocated during such period to reserves which shall be maintained in amounts deemed sufficient by the Company for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.

"**Units**" means the Units issued to any Member under this Agreement as reflected in attached Schedule 1, as amended from time to time.

2. FORMATION OF THE COMPANY.

2.1 Formation. The Company was formed on September 10, 2007, when the Certificate of Formation was executed and filed with the office of the Secretary of State in accordance with and pursuant to the Act.

2.2 Name. The name of the Company is "PIROSHKY PIROSHKY BAKERY, LLC."

2.3 Principal Place of Business. The principal place of business of the Company shall be 309 Cloverdale Street, Unit C32, Seattle, WA 98108. The Company may locate its place of business at any other place or places as the Company may from time to time deem advisable.

2.4 Registered Office and Registered Agent. The Company's initial registered agent and the address of its initial registered office in the State of Washington are as follows:

Name	Address
Mark V. Jordan	2775 Harbor Avenue SW, Suite D Seattle, WA 98126-2138

The Company may change the registered office and registered agent from time to time by filing an amendment to the Certificate of Formation.

2.5 **Term.** The term of the Company shall be perpetual, unless the Company is earlier dissolved in accordance with either Section 13 hereof or the Act.

3. BUSINESS OF THE COMPANY.

The business of the Company shall be to (a) carry on any lawful business or activity that may be conducted by a limited liability company organized under the Act; and (b) to exercise all other powers necessary to or reasonably connected with the Company's business that may be legally exercised by limited liability companies under the Act.

4. NAMES AND ADDRESSES OF MEMBERS.

The names and addresses of the Members are set forth on attached Schedule 1, as amended or restated from time to time.

5. MEMBERS; RIGHTS AND DUTIES.

5.1 **Management.** The Members shall manage the business and affairs of the Company. Except as otherwise expressly provided in this Agreement, the Members shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those customary or incident to the management of the Company's business. During the term of this Agreement, the Company shall not take any of the following actions, unless a resolution authorizing such action is approved by a Majority Interest:

(i) to acquire property from any Person as the Members may determine, and the fact that a Member is an Affiliate of such Person shall not prohibit the Company from dealing with that Person;

(ii) to borrow money from financial institutions, the Members or Affiliates of a Member on such terms as the Members deem appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums;

(iii) to purchase liability and other insurance to protect the Company's property and business;

(iv) to acquire, improve, manage, charter, operate, sell, license, transfer, exchange, encumber, pledge or dispose of any real or personal property of the Company;

(v) to invest Company funds temporarily in time deposits, short-term governmental obligations, commercial paper or other short-term investments;

(vi) to execute instruments and documents, including without limitation, checks, drafts, notes and other negotiable instruments, mortgages or deeds of trust, security agreements, financing statements, documents providing for the acquisition, mortgage or disposition of the Company's property, assignments, bills of sale, leases, partnership agreements, operating agreements of other limited liability companies, and any other instruments or documents necessary, in the opinion of the Members, to the business of the Company;

(vii) to employ accountants, legal counsel, managing agents or other experts to perform service for the Company and to compensate them from Company funds;

(viii) to enter into and any all other agreements with any other Person for any purpose, in such form as the Member may approve;

(ix) from time to time open bank accounts in the name of the Company; and

(x) to do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

Unless authorized to do so by this Agreement, no individual Member, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable for any purpose.

5.2 Compensation. The Company is authorized to compensate the Members for managing the Company. The amount of the Members' compensation, if any, shall be determined by the unanimous vote of the Members. The Company shall reimburse the Members for reasonable out-of-pocket expenses incurred by the Members in connection with the Company's business.

5.3 Liability for Company Obligations. Members shall not be personally liable for any debts, obligations or liabilities of the Company beyond their respective Capital Contributions and any obligation of the Members under Section 8.1 or 8.2 to make Capital Contributions, except as otherwise provided by law.

5.4 Limitation on Liability; Indemnification. Neither the Member nor any Affiliate of the Member shall be liable, responsible or accountable in damages or otherwise to the Company or the other Members for any act or omission by any such Person performed in good faith pursuant to the authority granted to such Person by this Agreement or in accordance with its provisions, and in a manner reasonably believed by such Person and in the best interest of the Company; provided that such act or omission did not constitute fraud, misconduct, bad faith or gross negligence. The Company shall indemnify and hold harmless the Member, and each employee or agent thereof, against any liability, loss, damage, cost or expense incurred by them on behalf of the Company or in furtherance of the Company's interests without relieving any such Person of liability for fraud, misconduct, bad faith or negligence. No member shall have any personal liability with respect to the satisfaction of any required indemnification of the above-mentioned Persons.

Any indemnification required to be made by the Company shall be made promptly following the fixing of the liability, loss, damage, cost or expense incurred or suffered by a final judgment of any court, settlement, contract or otherwise. In addition, the Company may advance funds to a Person claiming indemnification under this Section 5.4 for legal expenses and other costs incurred as a result of a legal action brought against such Person only if (i) the legal action relates to the performance of duties or services by the Person on behalf of the Company; (ii) the legal action is initiated by a party other than a Member, and (iii) such Person undertakes to repay the advanced funds to the Company if it is determined that such Person is not entitled to indemnification pursuant to the terms of this Agreement.

5.5 Right to Rely on the Member. Any Person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by any Member as to the identity and authority of any Member or other Person to act on behalf of the Company or any Member.

5.6 Inspection of Records. Upon reasonable request, each Member shall have the right to inspect and copy at such Member's expense, during ordinary business hours the records required to be maintained by the Company pursuant to Section 11.5.

5.7 No Priority and Return of Capital. Except as expressly provided in Section 9 or 10, no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to Net Profits, Net Losses or distributions; provided, that this Section 5.7 shall not apply to loans made by a Member to the Company.

5.8 Withdrawal of Member. Except as expressly permitted in this Agreement, no Member shall voluntarily resign or otherwise withdraw as a Member. Unless otherwise approved by Members holding a Majority Interest, a Member who resigns or withdraws shall be entitled to receive only those distributions to which such Person would have been entitled had such Person remained a Member (and only at such times as such distribution

would have been made had such Person remained a member). The remedy for breach of this Section 5.8 shall be monetary damages (and not specific performance), which may be offset against distributions by the Company to which such Person would otherwise be entitled.

6. ACTIVITIES OF MEMBERS.

6.1 **Independent Activities of a Member.** Any Member may engage in or possess an interest in other business ventures of every nature and description, independently or with others provided such business venture does not compete with the business of the Company.

6.2 **Right of First Refusal – Business Opportunities.**

6.2.1 A Member (the "Offering Member") will not directly or indirectly (either voluntarily or by operation of contract or law) engage in any business opportunity (the "Business Opportunity"), that will use or incorporate any of tangible or intangible property of the Company (the "Company Assets") without first offering one-half interest in such Business Opportunity to the other Member (the "Option Member"). The Option Member shall have forty five (45) days within which to accept such offer and tender performance thereunder as to the Business Opportunity.

6.2.2 In the event the offer of such Business Opportunity is not accepted by the Option Member within such forty five (45) day period, then the Offering Member shall be free to engage in that Business Opportunity subject to the execution and delivery of such necessary and appropriate definitive documents for the use and/or license of the Company Assets, the terms and conditions of which shall be negotiated in good faith. In the event the Offering Member and the Company are unable to negotiate such terms and conditions, the matter shall be subject to the provisions of Section 14.9.

7. MEETINGS OF MEMBERS.

7.1 **Meetings Not Required.** Regular or annual meetings of the Members are not required. Nothing contained in this Section 7 or any other provision of this Agreement shall be construed as a requirement to hold meetings of the Members within the meaning of Section 25.15.045 of the Act.

7.2 **Special Meetings.** Special meetings of the Members, for any purpose or purposes, may be called by the Member holding at least ten percent (10%) of the Units.

7.3 **Place of Meetings.** The Members may designate any place, either within or outside the State of Washington, as the place of meeting for any meeting of the Members. If no designation is made, or if a special meeting is called, the place of meeting shall be the principal office of the Company specified in Section 2.3.

7.4 **Notice of Meetings.** Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the Member calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two (2) calendar days after being deposited in the United States Mail, addressed to the Member as specified in Schedule 1, with postage thereon prepaid.

7.5 **Record Date.** For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

7.6 **Quorum.** A Majority Interest represented in person or by proxy shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of Units held by Members so represented may adjourn the meeting from time to time for a period not to exceed forty five (45) days without further notice. However, if the adjournment is for more than forty five (45) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Units whose absence would cause less than a quorum.

7.7 **Manner of Acting.** If a quorum is present, the affirmative vote of Members holding more than fifty percent (50%) of the Units represented at the meeting in person or by proxy shall be the act of the Members, unless the vote of a greater or lesser percentage is required by this Agreement or the Act.

7.8 **Proxies.** At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member. Such proxy shall be filed with the Member before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

7.9 **Action by Members Without a Meeting.** Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, executed by Members entitled to vote thereon and delivered to the Company for inclusion in the Company's minutes. Action

taken under this Section 7.9 is effective when all members entitled to vote thereon have signed such consents, unless such consents specify a different effective date. The record date for determining Members entitled to take action without a meeting shall be the date the first Member signs a consent.

7.10 Waiver of Notice. When any notice is required to be given to a Member, a waiver thereof in writing signed by the Member entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice.

8. CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS.

8.1 Members' Capital Contributions. Each Member shall contribute such consideration as is set forth in attached Schedule 1 as such Member's share of the Members' Initial Capital Contributions.

8.2 Additional Contributions. In the event the Company requires funds in addition to the Capital Contributions provided for in Section 8.1 above, the Members agree to make additional Capital Contributions from time to time in such amounts (pro rata based on their respective Percentage Interest) as are sufficient to enable the Company to carry out the purposes of this Agreement. The decision to require additional Capital Contributions shall be approved by Members owning a Majority Interest in the Company; provided that such additional Capital Contributions shall only be for the purpose of maintaining or expanding the initial business of the Company contemplated by the Members. Such contributions shall be due within twenty (20) days of the approval thereof by the holders of a Majority Interest. The provisions of this Section 8.2 are intended to bind and to benefit only the Company, the Members and their permitted successors and assigns. Nothing contained in this Section 8.2 is or shall be deemed to be for the benefit of any Person other than the Members and the Company, and no such Person shall under any circumstances have any right to compel any actions or payments by the Members. Notwithstanding the above, additional Capital Contributions may be made by less than all of the Members of the Company if approved by a unanimous vote of all the Members.

In the event any Member fails to contribute his, her or its share of additional Capital Contribution to the Company, those Members who have either contributed all of their share of such Capital Contribution or are not required to contribute additional Capital may advance, in proportion to their respective Percentage Interest or as they may otherwise agree, the noncontributing Member's pro rata share to the Company and treat such amount as a loan from the contributing Members to the noncontributing Member (the "Default Loan"). The Default Loan shall bear interest at the lesser of the maximum rate permitted by law or twelve percent (12%) per annum. Default Loans shall be due and payable upon written demand. If repayment of a Default Loan is not made or if demand for such repayment is not made before a distribution is made, the amount advanced shall be repaid from any cash distributions otherwise to be made to the noncontributing Member by the Company.

8.3 Capital Accounts.

8.3.1 Establishment and Maintenance. A separate Capital Account will be maintained for each Member throughout the term of the Company in accordance with the rules of Regulation Section 1.704-1(b)(2)(iv). Each Member's Capital Account will be increased by (1) the amount of money contributed by such Member to the Company; (2) the fair market value of property contributed by such Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take under Code Section 752); (3) allocations to such Member of Net Profits; (4) any items in the nature of income and gain that are specially allocated to the Member pursuant to Sections 9.2 and 9.3; and (5) allocations to such Member of income and gain exempt from federal income tax. Each Member's Capital Account will be decreased by (1) the amount of money distributed to such Member by the Company; (2) the fair market value of property distributed to such Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take under Code Section 752); (3) allocations to such Member of expenditures described in Code Section 705(a)(2)(B); (4) any items in the nature of deduction and loss that are specially allocated to the Member pursuant to Sections 9.2 and 9.3; and (5) allocations to such Member of Net Losses. In the event of a permitted sale or exchange of a Membership Interest in the Company, the Capital Account of the transferor shall become the Capital Account of the transferee to the extent it relates to the transferred Membership Interest.

8.3.2 Compliance with Regulations. The manner in which Capital Accounts are to be maintained pursuant to this Section 8.3 is intended to comply with the requirements of Code Section 704(b) and the Regulations promulgated thereunder. If in the opinion of the Company's legal counsel or accountants the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Section 8.3 should be modified in order to comply with Code Section 704(b) and the Regulations thereunder, then notwithstanding anything to the contrary contained in the preceding provisions of this Section 8.3, the method in which Capital Accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members.

8.4 Withdrawal or Reduction of Members' Contributions to Capital. A Member shall not receive out of the Company's property any part of his, her or its Capital Contribution until all liabilities of the Company, except liabilities to Members on account of their Capital Contributions, have been paid or there remains property of the Company sufficient to pay them. A Member, irrespective of the nature of its Capital Contribution, has only the right to demand and receive cash in return for its Capital Contribution.

9. ALLOCATIONS OF NET PROFITS AND LOSSES.

9.1 General Allocations.

9.1.1 Allocation of Net Profit or Loss. After giving effect to the special allocations set forth in Sections 9.2 and 9.3, the Net Profit or Net Loss for any fiscal year of the Company shall be allocated among the Members in accordance with their respective Percentage Interests.

9.1.2 Limitation. The Net Loss allocated to each member for any Company fiscal year pursuant to Section 9.1.1 shall not exceed the maximum amount of Net Loss that can be so allocated without causing such Member to have a Deficit Capital Account at the end of the fiscal year. All Net Losses in excess of the limitation set forth in this Section 9.1.2 shall be allocated to the other Members who do not have Deficit Capital Accounts in proportion to their respective Percentage Interests.

9.2 Special Allocations. The following special allocations shall be made for any fiscal year of the Company in the following order:

9.2.1 Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain during any Company fiscal year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Regulation Sections 1.704-2(f) and 1.704-2(g)(2). The items to be so allocated, and the manner in which those items are to be allocated among the Member's, shall be determined in accordance with Regulation Sections 1.704-2(f) and 1.704-2(j)(2). This Section 9.2.1 is intended to satisfy the minimum gain chargeback requirement in Regulation Section 1.704-2(f) and shall be interpreted and applied accordingly.

9.2.2 Member Minimum Gain Chargeback. If there is a net decrease in Member Minimum Gain during any Company fiscal year, each Member who has a share of that Member Minimum Gain, determined in accordance with Regulation Section 1.704-2(i)(5), shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Member Minimum Gain, determined in accordance with Regulation Sections 1.704-2(i)(4) and 1.704-2(i)(5). The items to be so allocated, and the manner in which those items are to be allocated among the Members, shall be determined in accordance with Regulation Sections 1.704-2(h)(4) and 1.704-2(j)(2). This Section 9.2.2 is intended to satisfy the minimum gain chargeback requirement in Regulation Section 1.704-2(i)(4) and shall be interpreted and applied accordingly.

9.2.3 Qualified Income Offset. In the event that any Member unexpectedly receives any adjustments, allocations, or distributions described in Regulation

Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Company income and gain shall be specially allocated to such Member in an amount and in a manner sufficient to eliminate as quickly as possible, to the extent required by Regulation Section 1.704-1(b)(2)(ii)(d), the Deficit Capital Account of the Member (which Deficit Capital Account shall be determined as if all other allocations provided for in this Section 9 have been tentatively made as if this Section 9.2.3 were not in this Agreement).

9.2.4 Nonrecourse Deductions. Nonrecourse Deductions shall be allocated among the Members in accordance with their respective Percentage Interests.

9.2.5 Member Nonrecourse Deductions. Any Member Nonrecourse Deductions shall be specially allocated among the Members in accordance with Regulation Section 1.704-2(i).

9.3 Corrective Allocations.

9.3.1 Allocations to Achieve Economic Agreement. The allocations set forth in the last sentence of Section 9.1.2 and in Section 9.2 are intended to comply with certain regulatory requirements under Code Section 704(b). The Members intend that, to the extent possible, all allocations made pursuant to such Sections will, over the term of the Company, be offset either with other allocations pursuant to Section 9.2 or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 9.3.1. Accordingly, the Company is hereby authorized and directed to make offsetting allocations of Company income, gain, loss or deduction under this Section 9.3.1 in whatever manner the Company determines is appropriate so that, after such offsetting special allocations are made, the Capital Accounts of the Members are, to the extent possible, equal to the Capital Accounts each would have if the provisions of Section 9.2 were not contained in this Agreement and all income, gain, loss and deduction of the Company were instead allocated pursuant to Section 9.1.1.

9.3.2 Waiver of Application of Minimum Gain Chargeback. The Company, with the prior written consent of the Members holding a Majority Interest, shall request from the Commissioner of the Internal Revenue Service a waiver, pursuant to Regulation Section 1.704-2(f)(4), of the minimum gain chargeback requirements of Regulation Section 1.704-2(f) if the application of such minimum gain chargeback requirement would cause a permanent distortion of the economic arrangement of the Members, as reflected in Section 9.1.

9.4 Other Allocation Rules.

9.4.1 General. Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction, and any other allocations not otherwise

provided for shall be divided among the Members in the same proportions as they share Net Profits or Net Losses, as the case may be, for the year.

9.4.2 Allocation of Recapture Items. In making any allocation among the Members of income or gain from the sale or other disposition of a Company asset, the ordinary income portion, if any, of such income and gain resulting from the recapture of cost recovery or other deductions shall be allocated among those Members who were previously allocated (or whose predecessors-in-interest were previously allocated) the cost recovery deductions or other deductions resulting in the recapture items, in proportion to the amount of such cost recovery deductions or other deductions previously allocated to them.

9.4.3 Allocations in Connection with Varying Interests. If, during a Company fiscal year, there is (i) a permitted transfer of a Membership Interest under this Agreement during a Company fiscal year or (ii) the admission of a Member or additional Members, Net Profit, Net Loss, each item thereof, and all other tax items of the Company for such period shall be divided and allocated among the Members by taking into account their varying interests during such fiscal year in accordance with Code Section 706(d) and using any conventions permitted by law and selected by the holders of a Majority Interest.

9.5 Determination of Net Profit or Loss.

9.5.1 Computation of Net Profit or Loss. The Net Profit or Net Loss of the Company, for each fiscal year or other period, shall be an amount equal to the Company's taxable income or loss for such period, determined in accordance with Code Section 703(a) (and, for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1), including income and gain exempt from federal income tax, shall be included in taxable income or loss).

9.5.2 Adjustments to Net Profit or Loss. For purposes of computing taxable income or loss on the disposition of an item of Company property or for purposes of determining the cost recovery, depreciation, or amortization deduction with respect to any property, the Company shall use such property's book value determined in accordance with Regulation Section 1.704-1(b). Consequently, each property's book value shall be equal to its adjusted basis for federal income tax purposes, except as follows:

(a) The initial book value of any property contributed by a Member to the Company shall be the gross fair market value of such property at the time of contribution;

(b) In the discretion of the Members holding a Majority Interest, the book value of all Company properties may be adjusted to equal their respective gross fair market values, as determined by the Members as of the following times: (1) in connection with the acquisition of an interest in the Company by a new or existing Member for

more than a de minimis capital contribution, (2) in connection with the liquidation of the Company as defined in Regulation Section 1.704-1(b)(2)(ii)(g), or (3) in connection with a more than de minimis distribution to a retiring or a continuing Member as consideration for all or a portion of his, her or its interest in the Company. In the event of a revaluation of any Company assets hereunder, the Capital Accounts of the Members shall be adjusted, including continuing adjustments for depreciation, to the extent provided in Regulation Section 1.704-1(b)(2)(iv)(f);

(c) If the book value of an item of Company property has been determined pursuant to this Section 9.5.2, such book value shall thereafter be used, and shall thereafter be adjusted by depreciation or amortization, if any, taken into account with respect to such property, for purposes of computing taxable income or loss.

9.5.3 Items Specially Allocated. Notwithstanding any other provision of this Section 9.5, any items that are specially allocated pursuant to Sections 9.2 or 9.3 shall not be taken into account in computing Net Profit or Net Loss.

9.6 Mandatory Tax Allocations Under Code Section 704(c). In accordance with Code Section 704(c) and Regulation Section 1.704-3, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial book value computed in accordance with Paragraph (a) of Section 9.5.2. Prior to the contribution of any property to the Company that has a fair market value that differs from its adjusted tax basis in the hands of the contributing Member on the date of contribution, the contributing Member and a Majority Interest of the non-contributing Members shall agree upon the allocation method to be applied with respect to that property under Regulation Section 1.704-3.

If the book value of any Company property is adjusted pursuant to Paragraph (b) of Section 9.5.2, subsequent allocations of income, gain, loss and deduction with respect to such property shall take account of any variation between the adjusted basis of such property for federal income tax purposes and its book value in the same manner as under Code Section 704(c). The choice of allocation methods under Regulation Section 1.704-3 with respect to such revalued property shall be made by the Company.

Allocations pursuant to this Section 9.6 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Net Profit, Net Loss, or other items as computed for book purposes, or distributions pursuant to any provision of this Agreement.

10. DISTRIBUTIONS.

10.1 Cash Distributions.

10.1.1 Non-liquidating Distributions. Distributions of Distributable Cash, other than distributions pursuant to Sections 10.1.1 and 10.1.2, shall be made to the Members at such times as the holders of a Majority Interest may determine. All such distributions shall be first, to each Member until it shall have received back its Initial or subsequent Capital Contribution; and second, to the Members, in proportion to the respective Percentage Interest of each Member.

10.1.2 Distributions in Liquidation. Notwithstanding Section 10.1.1, distributions in liquidation of the Company shall be made to each Member in the manner set forth in Section 13.3(c).

10.2 Distributions in Kind. Non-cash assets, if any, shall be distributed in a manner that reflects how cash proceeds from the sale of such assets for fair market value would have been distributed (after any unrealized gain or loss attributable to such non-cash assets has been allocated among the Members in accordance with Section 9).

10.3 Withholding; Amounts Withheld Treated as Distributions. The Company is authorized to withhold from distributions, or with respect to allocations or payments, to Members and to pay over to the appropriate federal, state or local governmental authority any amounts required to be withheld pursuant to the Code or provisions of applicable state or local law. All amounts withheld pursuant to the preceding sentence in connection with any payment, distribution or allocation to any Member shall be treated as amounts distributed to such Member pursuant to this Section 10 for all purposes of this Agreement.

10.4 Limitation Upon Distributions. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, except liabilities to Members on account of their contributions.

11. ACCOUNTING, BOOKS AND RECORDS.

11.1 Accounting Principles. The Company's books and records shall be kept, and its income tax returns prepared, under such permissible method of accounting, consistently applied, as the Members determine is in the Company's best interest.

11.2 Interest on and Return of Capital Contributions. No Member shall be entitled to interest on its capital Contribution or to return of its Capital Contribution, except as otherwise specifically provided for herein.

11.3 **Loans to Company.** Nothing in this Agreement shall prevent any Member from making secured or unsecured loans to the Company.

11.4 **Accounting Period.** The Company's accounting period shall be the calendar year.

11.5 **Records, Audits and Reports.** At the expense of the Company, the Member shall maintain records and accounts of its operations and expenditures. At a minimum, the Company shall keep at its principal place of business the following records:

(a) A current list and past list, setting forth the full name and last known mailing address of each Member;

(b) A copy of the Certificate of Formation and all amendments thereto;

(c) Copies of this Agreement and all amendments hereto;

(d) Copies of the Company's federal, state, and local tax returns and reports, if any, for the three most recent years;

(e) Minutes of every meeting of the Members and any written consents obtained from Members for actions taken by Members without a meeting; and

(f) Copies of the Company's financial statements for the three most recent years.

11.6 **Tax Matters Partner.**

11.6.1 **Designation.** Olga Sagan shall be the "tax matters partner" of the Company for purposes of Code Section 6221, et seq., and corresponding provisions of any state or local tax law.

11.6.2 **Expenses of Tax Matters Partner; Indemnification.** The Company shall indemnify and reimburse the tax matters partner for all reasonable expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members attributable to the Company. The payment of all such expenses shall be made before any distributions are made to Members (and such expenses shall be taken into consideration for purposes of determining Distributable Cash or any discretionary Reserves are set aside by the Company). Neither the tax matters partner nor any Member shall have any obligation to provide funds for such purpose.

11.7 Returns and Other Elections. The Company shall cause the preparation and timely filing of all tax and information returns required to be filed by the Company pursuant to the Code and all other tax and information returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns, or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's fiscal year.

Except as otherwise expressly provided to the contrary in this Agreement, all elections permitted to be made by the Company under federal or state laws shall be made by the Members holding a Majority Interest.

12. TRANSFERABILITY.

12.1 General Prohibition. No Member may, voluntarily or involuntary, directly or indirectly, sell, transfer, assign, pledge or otherwise dispose of, or mortgage or otherwise encumber, all or any part of his, her or its interest in the Company without the prior written consent of the Members owning a Majority Interest in the Company. Any such purported sale, transfer, assignment, pledge or encumbrance shall be null and void and of no force or effect whatsoever.

12.2 Optional Life Insurance Coverage. Insurance may be carried from time to time on the lives of any of the Members by the Company for the purpose of funding the acquisition of the Units of a deceased Member. The following provisions shall be applicable with respect to any such insurance:

(a) All such insurance shall be owned by and be payable to the Company.

(b) All such insurance policies, whether owned on the date hereof or acquired hereafter, shall be listed on Schedule 2 attached hereto.

(c) Any dividends declared on any such policies shall be applied to the payment of premiums.

(d) Once any such insurance has been acquired, the Company shall make payments as they become due and maintain the insurance in full force and effect and will not, without the unanimous vote of the Members, cancel or amend any policy relating thereto, or take or fail to take any action which might give rise to the termination or cancellation thereof.

(e) If any premium is not paid within twenty (20) days after its due date, the Company shall notify all Members and any Member may cause to be paid the outstanding premium, and shall be entitled to prompt reimbursement from the other Members in proportion to the Percentage Interests in the Company owned by each.

(f) In the event of the death of an insured Member, the proceeds of such insurance shall be applied forthwith to the payment of the Purchase Price (as defined below) owed by the Company for the Units of the insured Member, up to the full amount of such proceeds.

(g) In the event such proceeds are less than the full Purchase Price for such Units, it is understood and agreed that the net amount of such proceeds shall constitute a down payment against the Purchase Price and the unpaid portion of the Purchase Price shall be paid in accordance with this Section 12.

(h) In the event such proceeds exceed the Purchase Price, such excess shall belong to the Company and not to the estate of the insured Member.

(i) In the event any Member sells his or her Units to the Company or the remaining Members pursuant to the terms of this Agreement, other than in the case of his or her death, it is understood and agreed that the cash surrender value of any insurance held on the life of such Member for the purpose of providing funds for the purchase of his or her Units may constitute part or all of the down payment on the purchase obligation of the Company. The selling Member shall have the option of requesting that the policy be cashed and the proceeds thereof applied against such purchase obligation.

(j) Insurance proceeds from any policies on the life of the selling Member purchased pursuant to this Section 12.2 shall not be taken into account in determining the value of the Units of the Company under Section 12.7 of this Agreement.

12.3 <u>Right of First Refusal</u>

12.3.1 Each Member agrees that, during the term of this Agreement, he or she will not directly or indirectly (either voluntarily or by operation of contract or law) sell, transfer, assign, or dispose of in any other manner, any Units of the Company now or hereafter owned by any Member, without first offering such shares (the "Offered Units") for sale to the remaining Member at the same price and on the same terms and conditions as the selling Member proposes to sell, transfer, assign, or otherwise dispose of the Offered Units pursuant to a bona fide offer therefor received by the selling Member, disclosing the terms and conditions of such bona fide offer and the identity of the offeror.

12.3.2 The remaining Member shall have forty five (45) days within which to accept such offer and tender performance thereunder as to all, but not less than all, of the Offered Units.

12.3.3 In the event such offer is not so accepted by the remaining Member within such forty five (45) day period, then the selling Member shall be free to sell, transfer, assign or otherwise dispose of the Offered Units to the named person from whom he or

she received the bona fide offer, at the price and on the terms and conditions of such offer, during the period of forty five (45) days following the expiration of the forty five (45) day offering period. At the termination of such forty five (45) day period, the Offered Units shall again be subject to the provisions of this Agreement.

12.3.4 Notwithstanding the provisions of Sections 12.2.1 and 12.2.3, the remaining Member, in the exercise of such rights (as provided in this Section): (a) shall not be required to pay for the Offered Units in excess of the "fair market value" as defined and determined in accordance with the provisions of Section 12.7.1; and (b) shall not be required to make payment to the selling Member on terms more onerous than those set forth at Section 12.7.3.

12.4 Purchase Event. For purposes of this Agreement, any one of the following events shall constitute a "Purchase Event":

12.4.1 The death of a Member, provided that the date of the Purchase Event for purposes of this Agreement shall be deemed to be the date on which the Company and the remaining Member receives notice of the appointment and qualification of the personal representative of the deceased Member's estate. Such personal representative shall be obligated to give such notice within thirty (30) days of appointment.

12.4.2 The disability of an individual Member. The term "disability" is defined as the Member's inability due to a physical or mental disability or infirmity that prevents the performance of a Member's duties for the Company, with or without accommodation, lasting for a period of six (6) months and, within thirty (30) days after written notice has been provided by the Company, such Member shall not have returned to the performance of his or her duties.

12.4.3 The insolvency of a Member or the making of an assignment for the benefit of creditors by a Member, or the filing of a petition in bankruptcy by or against a Member.

12.4.4 The units of a Member becomes subject to any attachment, levy, execution, or other judicial seizure.

12.4.5 The transfer of the units of a Member to his or her spouse under a decree of divorce or judgment of dissolution or separate maintenance, or under a property settlement or separation agreement.

12.4.6 The transfer of the units of a Member in violation of any of the provisions of this Agreement.

12.5 Obligation of Member.

12.5.1 Upon the occurrence of any Purchase Event, the Member or the personal representative of the Member's estate (the "Seller") shall, in writing, offer for sale to the Company all of the shares of units of the Company held by the Seller (the "Offered Units"). The Company shall have thirty (30) days from the date of receipt of such notice within which to accept such offer and tender performance thereunder by giving written notice thereof to the Seller.

12.5.2 If such offer is not accepted by the Company within such thirty (30) day period, then the remaining Member shall have an option to purchase the Offered Units within a period of thirty (30) days following the expiration of such first thirty (30) day offering period, and shall exercise such option by giving written notice thereof to the Seller.

12.5.3 If such offer is not accepted by the remaining Member within such second thirty (30) day period, then the Seller shall have the right to retain the Offered Units or to sell, assign, transfer, or dispose of the Offered Units to third parties, subject to the provisions of Section 12.3 of this Agreement.

12.6 Effect of Purchase Event.

12.6.1 Upon the transfer of a Member's interest in the Company as a result of a Purchase Event, the other Member may at his or her election either:

(a) Dissolve the Company;

(b) Cause the Company to purchase the interest in the manner as provided for in Section 12.5; or

(c) Continue the Company, admitting the assignee, if any, as a Member provided the assignee agrees to be bound by the terms of this Agreement.

12.6.2 In the event of a decision to cause the Company (or other third party) to purchase the interest pursuant to Section 12.5, the Company shall, within ninety (90) days, distribute to the Member whose interest is being purchased, or his or her estate, the net taxable income allocable to such Member for the portion of the taxable year prior to the transfer date.

12.7 Valuation of Interest.

12.7.1 Purchase of Member's Interest. For purposes of determining the Purchase Price to be paid for a Member's interest pursuant to this Section 12 (the "Purchase Price"), it is hereby agreed that a Member's interest shall be purchased on a per-unit basis

without discount for minority status or lack of marketability ("Per Unit FMV"). For purposes of this section, the Per Unit FMV shall be agreed upon by the selling party ("Seller") and the Company or other purchaser ("Purchaser"). In the event no such agreement is reached within thirty (30) days after an applicable Purchase Event, the fair market value shall be as determined in accordance with the appraisal procedure set forth in Section 12.7.2.

12.7.2 Appraisal Procedure.

a. Appointment of One Appraiser. If the Seller and the Purchaser are unable to agree on the Per Unit FMV of the Offered Units within the thirty (30) day period following the applicable Purchase Event, the Seller and the Purchaser shall unanimously agree on an appraiser who shall conduct an appraisal of the Company in accordance with the provisions of this Section 12.7.2.

b. Appointment of Two Appraisers. In the event the Seller and Purchaser are unable to unanimously agree on an appraiser to conduct an appraisal of the Company within thirty (30) days of the lapse of the thirty (30) day period following the applicable Purchase Event, then, within ten (10) days of the end of such thirty (30) day period, the Seller and the Purchaser shall each appoint one appraiser. The appointed appraisers shall then agree on a single appraiser who will then conduct an appraisal of the Company. If either party fails to appoint an appraiser within the time set forth above, the appraiser appointed by the other party shall proceed on its own to make an appraisal.

c. Appraiser Qualifications and Instructions. An appraiser appointed under this Section 12.7.2 shall be experienced in making appraisals of closely-held food service companies. The appraiser shall value the Company as a going concern, but not less than the fair market value of the Company's assets reduced by the full amount of its liabilities, and shall consider all relevant factors, including, but not limited to, loss of a selling Member, items reflected on the financial statements of the Company, goodwill and the sale of comparable businesses, if available. The Per Unit FMV shall be equal to the appraised value of the Company divided by the number of Units outstanding on the date as of which the fair market value is to be determined. The Company shall supply to all appraisers all information reasonably necessary to make the appraisals.

d. Timing. The appraiser shall be directed to make its determinations within forty-five (45) days of appointment.

e. Binding Nature of Appraisal. The determination of the appraiser shall be final and binding on the parties.

f. Fees and Expenses of Appraisal. Seller and Purchaser shall bear one-half of the fees and expenses related to the fair market value determination.

12.7.3 Terms of Payment. The Purchase Price determined in accordance with this Section 12.7 shall be paid to the Seller by the Purchaser by either of the following two (2) methods, as elected by the Purchaser:

(i) In cash, in full; or

(ii) By the payment of at least twenty percent (20%) of the Purchase Price in cash and execution and delivery of a promissory note that shall bear interest from the closing date of the sale at the prime commercial borrowing rate offered by the Company's principal bank on the closing date of the sale, provided that such interest rate shall not exceed the maximum legal rate allowable under Washington law at such time. Such note shall be fully amortized in equal quarterly payments, including interest, over a five (5) year period. The debtor shall have the right to prepay such note at any time without premium or penalty.

12.7.4 Additional Purchase Terms.

(i) The "Price Finalization Date" is the earlier of: (a) the date on which the Seller and the Purchaser agree in writing as to the fair market value of the Offered Units; or (b) the date on which the valuation, pursuant to Section 12.7.2, becomes final and binding on the Seller and the Purchaser.

(ii) "Closing" on all purchases pursuant to Section 12 shall occur within thirty (30) days of the Price Finalization Date on such Closing date as may be agreed upon by the Seller and Purchaser. At Closing: (a) the Seller shall deliver the certificates, if any, representing the Offered Units, duly endorsed over to the Purchaser, free and clear of all liens and encumbrances; and (b) the Purchaser shall make payment of the Purchase Price in accordance with this Section 12 .7 and execute and deliver a pledge of the Offered Units in accordance with Section 12.7.5, if applicable.

12.7.5 Deferred Payment Obligations Secured by Unit Pledge. If a portion of the Purchase Price is paid by delivery of a promissory note in accordance with this Section 12, the deferred payment obligations of the Purchaser shall be secured by a pledge of the Offered Units being purchased. Certificates representing the pledged Offered Units, if any, shall be retained by the Seller for pledge purposes and the parties shall enter into a pledge agreement reasonably acceptable to both parties. The Purchaser shall be entitled to vote and retain all dividends in respect of such Offered Units. In cases where the Company is the Purchaser, the parties shall put into place appropriate substitute pledge or security mechanisms that provide security in the repurchased Offered Units.

12.7.6 Acceleration. If at any time prior to the Company having completed payment of the Purchase Price for Units purchased by it hereunder, the Company is liquidated or dissolved, voluntarily becomes the subject of any bankruptcy, receivership or

similar proceedings, involuntarily becomes the subject of bankruptcy proceedings, receivership proceedings with respect to all or substantially all of its assets, or similar proceedings and such proceedings are not stayed or dismissed in sixty (60) days, sells all or substantially all of its assets, defaults under its payment obligations under this Agreement for the Units in question and fails to cure the same upon ten (10) days' notice by the payee, upon any merger, consolidation, or share exchange in which the Company or its members receive a majority of the consideration in cash or cash-like instruments, or a merger in which the Company is not a surviving entity, except if the merger is carried out with a subsidiary of the Company or is carried out solely for reincorporation purposes, the unpaid balance of the said Purchase Price may, at the option of the payee, become immediately due and owing.

If at any time prior to having completed payment of the Purchase Price for Units being purchased pursuant to this Section 12, the Purchaser defaults under his, her or its payment obligations and fails to cure the same upon ten (10) days' notice by the payee, voluntarily becomes the subject of any bankruptcy, receivership or similar proceedings, or involuntarily becomes the subject of bankruptcy proceedings or similar proceedings and such proceedings are not stayed or dismissed in sixty (60) days, the unpaid balance of said Purchase Price may, at the option of the payee, become immediately due and payable.

12.8 **Assumption Agreement**. Upon the purchase or the gift of a Membership Interest in compliance with this Section 12, and as a condition to recognizing the effectiveness and binding nature of any sale or gift and substitution of a Person as a new Member, the Company shall require the transferring Member and the proposed purchaser, donee or successor-in-interest, as the case may be to execute, acknowledge and deliver to the Company such instruments of transfer, assignment and assumption and such other agreements and to perform all such other acts that the Company may deem necessary or desirable to:

(a) constitute such Person as a Member,

(b) confirm that the Person desiring to become a Member, has accepted, assumed and agreed to be subject and bound by all of the terms, obligations and conditions of this Agreement;

(c) maintain the status of the Company as a partnership for federal tax purposes; and

(d) assure compliance with any applicable state and federal laws, including securities laws and regulations.

12.9 **Effective Date of Admission**. Any sale or gift of a Membership Interest or admission of a Member in compliance with this Section 12 shall be deemed effective as of the last day of the calendar month in which all of the remaining Members consent thereto was given, or if later, on such date that the transferor and the transferee both comply with this

Section 12. The transferring Member hereby indemnifies the Company against any and all loss, damage, or expense (including, without limitation, tax liabilities or loss of tax benefits) arising directly or indirectly as a result of any transfer or purported transfer in violation of this Section 12.

12.10 Effective Date. Any sale or gift of a Membership Interest or admission of a Member in compliance with this Section 12 shall be deemed effective as of the last day of the calendar month in which all of the remaining Members consent thereto was given, or if later, on such date that the transferor and the transferee both comply with this Section 12. The transferring Member hereby indemnifies the Company against any and all loss, damage, or expense (including, without limitation, tax liabilities or loss of tax benefits) arising directly or indirectly as a result of any transfer or purported transfer in violation of this Section 12.

12.11 Remarriage of Member. Prior to the remarriage of a Member, that Member shall take sufficient steps to insure that the Member's ownership interest in his or her Units remains the separate property and under the sole control of that Member and does not become comingled with or become a community asset of the remarried Member and his or her spouse, including the execution of a prenuptial agreement, separate property agreement or other agreement.

13 DISSOLUTION AND TERMINATION.

13.7 Dissolution. The Company shall be dissolved upon the occurrence of any of the following events:

(a) upon expiration of the term specified in Section 2.5;

(b) by the written agreement of all Members; or

(c) a Person ceases to be a Member upon the occurrence of any of the events specified in Section 25.15.130(1)(a)-(i) of the Act, unless the business of the Company is continued with the consent of all of the remaining Members within ninety (90) days following the occurrence of such event.

13.8 Allocation of Net Profit and Loss in Liquidation. The allocation of Net Profit, Net Loss and other items of the Company following the date of dissolution, including but not limited to gain or loss upon the sale of all or substantially all of the Company's assets, shall be determined in accordance with the provisions of Sections 9 and 10 and shall be credited or charged to the Capital Accounts of the Members in the same manner as Net Profit, Net Loss, and other items of the Company would have been credited or charged if there were no dissolution and liquidation.

13.9 Winding Up, Liquidation and Distribution of Assets. Upon dissolution, the Member shall immediately proceed to wind up the affairs of the Company, unless the business of the Company is continued as provided in paragraph (c) of Section 13.1. The Member shall sell or otherwise liquidate all of its assets as promptly as practicable (except to the extent the Member may determine to distribute any assets to the Members in kind) and shall apply the proceeds of such sale and the remaining Company assets in the following order of priority:

(a) Payment of creditors, including Members or Members who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Company, other than liabilities for distributions to Members;

(b) To establish any reserves that the Member deems reasonably necessary for contingent or unforeseen obligations and, at the expiration of such period as the Member shall deem advisable, the balance then remaining in the manner provided in paragraph (c) below;

(c) By the end of the taxable year in which the liquidation occurs (or, if later, within ninety (90) days after the date of such liquidation), to the Members in proportion to the positive balances of their respective Capital Accounts, as determined after taking into account all Capital Account adjustments for the taxable year during which the liquidation occurs (other than those made pursuant to this paragraph (c)).

13.10 No Obligation to Restore Negative Capital Account Balance on Liquidation. Notwithstanding anything to the contrary in this Agreement, upon a liquidation within the meaning of Regulation Section 1.704-1(b)(2)(ii)(g), if any Member has a negative Capital Account balance (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any Capital Contribution to the Company, and the negative balance of such Member's Capital Account shall not be considered a debt owed by such Member to the Company or to any other Person for any purpose whatsoever.

13.11 Termination. The Member shall comply with any applicable requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets. Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated.

13.12 Certificate of Cancellation. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Members, the Member shall file a certificate of cancellation as required by Section 25.15.080 of the Act. Upon filing the

certificate of cancellation, the existence of the Company shall cease, except as otherwise provided in the Act.

13.13 Return of Contribution Nonrecourse to Other Members. Except as provided by law or as expressly provided in this Agreement, upon dissolution each Member shall look solely to the assets of the Company for the return of its Capital Contribution. If the property remaining after the payment or discharge of liabilities of the Company is insufficient to return the contributions of Members, no Member shall have recourse against any other Member.

14 MISCELLANEOUS PROVISIONS.

14.7 Notices. Any notice, demand, or communication required or permitted under this Agreement (a "Notice") shall be deemed to have been duly given if delivered personally to the party to whom directed or, if mailed by registered or certified mail, postage and charges prepaid, addressed (a) if to a Member, to the Member's address specified on attached Schedule 1, and (b) if to the Company, to the address specified in Section 2.3. A copy of each Notice shall also be delivered to Invicta Law Group, PLLC, 2775 Harbor Avenue SW, Suite D, Seattle, WA 98126-2138, attention Mark V. Jordan. Except as otherwise provided herein, any such notice shall be deemed to be given when personally delivered or, if mailed, three (3) business days after the date of mailing. A Member or the Company may change its address for the purposes of notices hereunder by giving notice to the others specifying such changed address in the manner specified in this Section 14.1.

14.8 Governing Law. This Agreement shall be construed and enforced in accordance with the internal laws of the State of Washington.

14.9 Amendments. This Agreement may not be amended except by the unanimous written agreement of all of the Members.

14.10 Construction. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

14.11 Headings. The headings in this Agreement are inserted for convenience only and shall not affect the interpretations of this Agreement.

14.12 Waivers. The failure of any Person to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

14.13 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy shall not preclude or

waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

14.14 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

14.15 Dispute Resolution. The parties will conduct friendly negotiations (including mediation) to resolve any dispute. Failing resolution, disputes will be finally resolved by arbitration by one arbitrator in Seattle, Washington through Judicial Dispute Resolution, LLC, or other mutually agreed arbitration provider. The prevailing party will be entitled to recover all costs and expenses of any subsequent proceedings (including trial, appellate and arbitration proceedings), including the attorneys' fees incurred therein. The governing law for this Agreement is the law of the State of Washington. The parties agree that any arbitral award and any matter requiring injunctive or other provisional relief shall be instituted and enforced in any court in King County, Washington. The arbitrator will render a final and binding decision within ten (10) days of the conclusion of the arbitration hearing.

14.16 Heirs, Successors and Assigns. Each of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns.

14.17 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

14.18 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

14.19 LEGAL REPRESENTATION. The Company has been represented by the Invicta Law Group, PLLC in connection with the preparation and negotiation of this Agreement and the documents related hereto and in connection with the consummation of the transactions contemplated hereby. Purchaser acknowledges that: (a) the Members have been advised by the Company to retain legal counsel in connection with this Agreement; and (b) the Members have read and understands this Agreement and the documents related hereto.

14.20 Investment Representations. The Units have not been registered under the Securities Act of 1933, the Securities Act of Washington or any other state securities laws (collectively, the "Securities Acts") because the Company is issuing the Units in reliance upon the exemptions from the registration requirements of the Securities Acts, and the Company is relying upon the fact that the Units are to be held by each Member for investment.

Accordingly, each Member hereby confirms the Units have been acquired for such Member's own account, for investment and not with a view to the resale or distribution thereof and may not be offered or sold to anyone unless there is an effective registration or other qualification relating thereto under all applicable Securities Acts or unless such Member delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification is not required. The Members understand that the Company is under no obligation to register the Units or to assist any Member in complying with any exemption from registration under the Securities Acts.

EXECUTED by the undersigned Members effective as of the date first above written.

PIROSHKY PIROSHKY BAKERY, LLC

By: _____
Oliver Kotelnikov, Its Member

_____
Oliver Kotelnikov

By: _____
Olga Sagan, Its Member

_____
Olga Sagan

SCHEDULE 1

MEMBER INFORMATION

Names and Addresses of Members	Initial Capital Contribution	Units	Percentage Interest
Oliver Kotelnikov 6900 East Green Lake Way N. No. 233 Seattle, WA 98115	Execution of the Company Membership Unit Conversion and Subscription Agreement effective January 1, 2012	10,000	50%
Olga Sagan 929 N. 84th Street Seattle, WA 98103	Execution of the Company Membership Unit Conversion and Subscription Agreement effective January 1, 2012	10,000	50%
Totals:		20,000	**100%**

SCHEDULE 2

INSURANCE SCHEDULE

02/05/16

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2013

	Jan - Dec '13
Ordinary Income/Expense	
Income	
3025 — Hoodie	252.75
Online Sales	
online Apron	95.47
Online T-Shirts	249.80
Online Sweets	3,085.93
Online Savory	5,124.21
Online Sales Book	28.60
Total Online Sales	8,584.01
3010 — Sales	1,396,727.39
3011 — Bakery	795,217.31
3012 — Discount Income	-2,969.71
3020 — Shirts	10,723.65
3030 — Books	313.95
3040 — Aprons	108.70
3045 — Bags Income	39.60
Total Income	2,208,997.65
Cost of Goods Sold	
5105 — COGS Apron	75.59
5107 — COGS Hoodie	201.04
51006 — COGS Comissary	127,664.58
5103 — COGS tshirts	11,824.81
5100 — Cost of Goods Sold	285,718.04
Total COGS	425,484.06
Gross Profit	1,783,513.59
Expense	
6145 — Education Expense	2,388.00
6210 — Meals	
6212 — meals 100%	1,507.26
6211 — Meals 50%	2,035.15
Total 6210 — Meals	3,542.41
6130 — Employee Benefits	
6135 — Healthy Lifestyle	1,006.15
6134 — Safety Expense	1,037.87
6131 — Health Insurance Employee	34,609.76

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2013

	Jan - Dec '13	
6133 — Parking Expense	6,880.83	
6132 — Bus Pass	8,307.25	
6130 — Employee Benefits - Other	39.95	
Total 6130 — Employee Benefits		51,881.81
6050 — Auto		
6055 — Parkin tickets	120.00	
6057 — Car License Fees	140.00	
Total 6050 — Auto		260.00
6380 — Travel Expense		2,434.56
6061 — Online Charges		342.24
60401 — bank merchant charges		4,841.55
6400 — Utilities-Comissary		4,033.77
6056 — financial charge/truck		1,157.16
24801 — Equipm. Loan Expense Comi...		2,290.33
51800 — Merchant Account Fees		26,426.88
6140 — Equp Rent Exp		580.54
6054 — auto fuel expense		1,018.87
6053 — travel toll		4.41
6020 — amortization expense		31,780.00
6010 — Advertising and Promotion		13,595.58
6340 — Salaries		544,957.50
6060 — Bank Service Charges		11,418.25
6110 — Depreciation Expense		18,518.17
6180 — Interest Expense		
6181 — Interest to Kotelnikov	39,833.18	
6180 — Interest Expense - Other	9.56	
Total 6180 — Interest Expense		39,842.74
6190 — Insurance Expense		2,741.50
6220 — Office Supplies		5,222.18
6240 — Payroll Tax Expenses		
6241 — 941 Tax Expense	45,611.17	
6242 — FUTA Tax Expense	1,399.19	
6243 — SUTA tax Expense	2,870.45	
6244 — L&I Tax Expense	8,699.13	
Total 6240 — Payroll Tax Expenses		58,579.94
6120 — Dues		1,953.03
6250 — Permit		1,706.00

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2013

	Jan - Dec '13	
6350 — Tax Expense		
6351 — B&O Tax Expense	2,280.19	
6352 — City Taxes	4,606.69	
6350 — Tax Expense - Other	8,599.02	
Total 6350 — Tax Expense		15,485.90
6260 — Professional Fees		
6262 — Accounting	5,211.00	
6260 — Professional Fees - Other	8,630.00	
Total 6260 — Professional Fees		13,841.00
6290 — Rent Expense		
67101 — Rent Expense Commisary	9,726.06	
6290 — Rent Expense - Other	181,318.23	
Total 6290 — Rent Expense		191,044.29
6330 — shipping		1,302.36
6200 — Moving Expense		265.00
6430 — Web Site Expense		16,758.53
6300 — Repairs and Maintenance		
67201 — Repair & Maintenance Comi...	2,662.85	
6300 — Repairs and Maintenance - O...	10,704.05	
Total 6300 — Repairs and Maintenance		13,366.90
6320 — Supplies		
6321 — Cleaning Supplies	6,134.19	
6322 — Paper Supplies	8,919.22	
6320 — Supplies - Other	21,760.95	
Total 6320 — Supplies		36,814.36
6170 — gift expense		1,473.40
6150 — entertainment		13,995.36
6360 — Telephone and Internet		
68101 — Telephone Expense Commis...	191.25	
6360 — Telephone and Internet - Other	5,100.88	
Total 6360 — Telephone and Internet		5,292.13
6410 — Uniforms		999.39
6390 — Utilities		21,787.73
6100 — Cash Over/Short		17,625.56
6030 — Ask My Accountant		4,709.62

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2013

		Jan - Dec '13
Total Expense		1,186,278.95
Net Ordinary Income		597,234.64
Other Income/Expense		
Other Income		
9998 — Sub Rent Income		13,200.00
Total Other Income		13,200.00
Other Expense		
Olga GP		
Olga Guaranteed payments	264,753.07	
GP Health Olga	11,258.12	
Total Olga GP		276,011.19
Oliver GP		
Oliver guaranteed payments	264,752.75	
GP Health Oliver	5,621.32	
Total Oliver GP		270,374.07
6718 — Charitible Donations		1,279.89
Total Other Expense		547,665.15
Net Other Income		-534,465.15
Net Income		62,769.49

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Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2014

	Jan - Dec '14
Ordinary Income/Expense	
Income	
3025 — Hoodie	156.85
Online Sales	
online Apron	149.25
Online T-Shirts	84.75
Online Sweets	6,962.20
Online Savory	3,904.82
Online Sales Book	14.95
Total Online Sales	11,115.97
3010 — Sales	1,636,074.93
3011 — Bakery	981,324.02
3012 — Discount Income	-4,666.87
3020 — Shirts	6,302.91
3030 — Books	89.70
3040 — Aprons	124.75
3045 — Bags Income	69.35
Total Income	2,630,591.61
Cost of Goods Sold	
5105 — COGS Apron	202.40
5107 — COGS Hoodie	130.00
51006 — COGS Comissary	2,491.04
5104 — COGS bags	95.00
5103 — COGS tshirts	3,748.00
5100 — Cost of Goods Sold	937,450.56
5106 — Inventory Adjustements	-935.37
Total COGS	943,181.63
Gross Profit	1,687,409.98
Expense	
6341 — Officer's Salaries	0.50
Safety expense	2,319.27
Parking	140.25
6145 — Education Expense	29.37
6210 — Meals	
6212 — meals 100%	196.84
6211 — Meals 50%	807.16

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2014

		Jan - Dec '14
Total 6210 — Meals		1,004.00
6130 — Employee Benefits		
6136 — 401 K expense	7,407.77	
6135 — Healthy Lifestyle	2,189.01	
6134 — Safety Expense	417.17	
6131 — Health Insurance Employee	14,808.68	
6133 — Parking Expense	5,815.49	
6132 — Bus Pass	8,129.50	
6130 — Employee Benefits - Other	501.76	
Total 6130 — Employee Benefits		39,269.38
6050 — Auto		
6051 — vehicle repair and maintance	1,714.75	
Total 6050 — Auto		1,714.75
6380 — Travel Expense		2,164.03
6061 — Online Charges		434.24
60401 — bank merchant charges		3,872.11
6400 — Utilities-Comissary		169.18
24801 — Equipm. Loan Expense Comi...		3,190.83
51800 — Merchant Account Fees		46,356.71
6140 — Equp Rent Exp		1,135.41
6054 — auto fuel expense		342.97
6020 — amortization expense		31,780.00
6010 — Advertising and Promotion		7,481.99
6340 — Salaries		459,271.42
6060 — Bank Service Charges		4,145.37
61000 — Business Licenses and Permits		55.00
6110 — Depreciation Expense		23,346.00
6180 — Interest Expense		
6181 — Interest to Kotelnikov	26,932.52	
6180 — Interest Expense - Other	6,872.05	
Total 6180 — Interest Expense		33,804.57
6190 — Insurance Expense		3,579.75
6220 — Office Supplies		1,759.66
6240 — Payroll Tax Expenses		
6241 — 941 Tax Expense	39,060.95	
6242 — FUTA Tax Expense	1,395.87	
6243 — SUTA tax Expense	2,971.41	

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2014

	Jan - Dec '14	
6244 — L&I Tax Expense	7,108.34	
Total 6240 — Payroll Tax Expenses		50,536.57
6120 — Dues		2,500.50
6250 — Permit		110.00
6350 — Tax Expense		
6351 — B&O Tax Expense	10,872.66	
6352 — City Taxes	5,352.46	
6350 — Tax Expense - Other	2,164.01	
Total 6350 — Tax Expense		18,389.13
6260 — Professional Fees		
6262 — Accounting	2,234.50	
6260 — Professional Fees - Other	33,078.53	
Total 6260 — Professional Fees		35,313.03
6290 — Rent Expense		
67101 — Rent Expense Commisary	2,382.00	
6290 — Rent Expense - Other	189,840.85	
Total 6290 — Rent Expense		192,222.85
6330 — shipping		357.54
6200 — Moving Expense		279.00
6430 — Web Site Expense		5,687.52
6300 — Repairs and Maintenance		11,940.57
6320 — Supplies		
Packaging Material	779.75	
6321 — Cleaning Supplies	5,641.40	
6322 — Paper Supplies	20,269.61	
6320 — Supplies - Other	34,869.99	
Total 6320 — Supplies		61,560.75
6170 — gift expense		274.36
6150 — entertainment		14,186.00
6360 — Telephone and Internet		3,915.10
6410 — Uniforms		483.35
6390 — Utilities		19,140.83
6100 — Cash Over/Short		572.51
6030 — Ask My Accountant		0.00
Total Expense		1,084,836.37

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2014

		Jan - Dec '14
Net Ordinary Income		602,573.61
Other Income/Expense		
Other Income		
9998 — Sub Rent Income		275.00
3060 — Interest Income		1.22
Total Other Income		276.22
Other Expense		
Olga GP		
Olga Guaranteed payments	273,475.81	
GP Health Olga	2,857.65	
Olga GP - Other	30,097.25	
Total Olga GP		306,430.71
Oliver GP		
Oliver guaranteed payments	303,570.88	
GP Health Oliver	1,408.77	
Total Oliver GP		304,979.65
6718 — Charitible Donations		1,175.00
Total Other Expense		612,585.36
Net Other Income		-612,309.14
Net Income		-9,735.53

02/05/16

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2015

		Jan - Dec '15
Ordinary Income/Expense		
Income		
3025 — Hoodie		26.00
3010 — Sales		1,998,282.80
3011 — Bakery		1,132,016.90
3012 — Discount Income		-4,926.30
3020 — Shirts		4,719.12
3030 — Books		59.80
3045 — Bags Income		69.30
Total Income		3,130,247.62
Cost of Goods Sold		
5103 — COGS tshirts		3,054.65
5100 — Cost of Goods Sold		1,334,780.94
Total COGS		1,337,835.59
Gross Profit		1,792,412.03
Expense		
24802 — POS Rent Exense		4,575.87
6125 — financial charge		1,756.32
6341 — Officer's Salaries		197,600.00
Safety expense		366.28
Parking		523.82
6145 — Education Expense		199.00
6210 — Meals		
6212 — meals 100%	985.79	
6211 — Meals 50%	708.50	
6210 — Meals - Other	20.00	
Total 6210 — Meals		1,714.29
6130 — Employee Benefits		
6137 — Officer's Health Insurance Rein	6,000.00	
6136 — 401 K expense	17,577.59	
6135 — Healthy Lifestyle	666.22	
6134 — Safety Expense	176.95	
6131 — Health Insurance Employee	8,838.90	
6133 — Parking Expense	6,876.00	
6132 — Bus Pass	10,325.75	
Total 6130 — Employee Benefits		50,461.41

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2015

	Jan - Dec '15	
6050 — Auto		133.65
6380 — Travel Expense		6,592.11
24801 — Equipm. Loan Expense Comi...		6,390.18
51800 — Merchant Account Fees		58,109.01
6054 — auto fuel expense		87.69
6010 — Advertising and Promotion		16,938.69
6340 — Salaries		
6349 — Salaries- Ovetime	2,745.56	
6348 — Salaries-SIck Pay	1,758.50	
6347 — Salaries-Vacation	11,088.00	
6346 — Salaries-Bonus	31,508.02	
6345 — Salaries-Cleaning Shifts	16,611.78	
6344 — Salaries- Cashiers	83,385.95	
6343 — Production-Salaries	74,063.08	
6342 — Manager's Salaries	27,497.51	
6340 — Salaries - Other	243,405.77	
Total 6340 — Salaries		492,064.17
6060 — Bank Service Charges		4,091.49
61000 — Business Licenses and Permits		874.00
6180 — Interest Expense		
6182 — Interest for line of credit	2,747.19	
6181 — Interest to Kotelnikov	24,809.87	
6180 — Interest Expense - Other	6,142.64	
Total 6180 — Interest Expense		33,699.70
6190 — Insurance Expense		5,263.80
6220 — Office Supplies		1,135.31
6240 — Payroll Tax Expenses		
6241 — 941 Tax Expense	57,048.87	
6242 — FUTA Tax Expense	1,265.15	
6243 — SUTA tax Expense	4,226.48	
6244 — L&I Tax Expense	8,204.60	
Total 6240 — Payroll Tax Expenses		70,745.10
6120 — Dues		2,149.98
6250 — Permit		0.00
6350 — Tax Expense		
6351 — B&O Tax Expense	14,808.35	
6352 — City Taxes	1,807.15	
6350 — Tax Expense - Other	5,774.96	

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2015

		Jan - Dec '15
Total 6350 — Tax Expense		22,390.46
6260 — Professional Fees		
6262 — Accounting	12,708.75	
6260 — Professional Fees - Other	37,732.41	
Total 6260 — Professional Fees		50,441.16
6290 — Rent Expense		222,563.75
6330 — shipping		238.60
6200 — Moving Expense		473.80
6430 — Web Site Expense		5,504.17
6300 — Repairs and Maintenance		13,573.71
6320 — Supplies		
6321 — Cleaning Supplies	5,319.90	
6320 — Supplies - Other	22,511.05	
Total 6320 — Supplies		27,830.95
6170 — gift expense		25.00
6150 — entertainment		24,015.56
6360 — Telephone and Internet		4,137.66
6410 — Uniforms		462.43
6390 — Utilities		18,321.42
6100 — Cash Over/Short		11,506.40
6030 — Ask My Accountant		5,948.59
Total Expense		1,362,905.53
Net Ordinary Income		429,506.50
Other Income/Expense		
Other Income		
3060 — Interest Income		4,682.26
Total Other Income		4,682.26
Other Expense		
Olga GP		
Olga Guaranteed payments	8,961.00	
Total Olga GP		8,961.00
Oliver GP		
Oliver guaranteed payments	8,961.00	

Piroshky Piroshky Bakery,LLC
Profit and Loss Standard
January through December 2015

	Jan - Dec '15
Total Oliver GP	8,961.00
6718 — Charitible Donations	4,605.00
Total Other Expense	22,527.00
Net Other Income	-17,844.74
Net Income	411,661.76

Section 2 - Proposed Concept

Piroshky Piroshky / Specialty Bakery and Coffee
Specialty Bakery and Coffee. Local brand bakery offering specialty pastries, piroshkies, coffee beverages, soups as well as bottled juice, soft drinks, and water.

Our focus is to keep growing by maintaining the high quality and uniqueness of our product, which we believe is the key to expanding our customer base and repeat business. Our dedication to quality, service, and innovation has helped us to not only survive, but also be successful in this highly competitive industry.

The rationale for our expansion to the Sea-Tac is quite simple. Anyone who has been down to the market knows that sweet intoxicating scent always emerging from Piroshky Piroshky's wide-open green doors. Piroshky Piroshky is destination in and of itself in Seattle. The numbers speak for themselves:

- Top-rated bakery in Washington State according to Yelp.
- Trip Advisor rated #13 of 3355 restaurants in Seattle, and #17 of 3700 places to eat in Seattle
- Most-reviewed bakery in Washington, with 3,345 reviews at time of application, more than twice as many of the next bakery which has only 1500 reviews. - Yelp
- Social media favorite on Facebook, Twitter, Instagram (22,678 visits) 'You cannot go wrong with Piroshky Piroshky! This place is a must-try when visiting Pike!' (Yelp) 'Definitely coming back to this place on my next visit!' (Yelp)
- Featured on Anthony Bourdain's No Reservations, consistent ranking in Best of the Pike Place Market

Our menu offers over 20 varieties of piroshky, a vegan borscht and beverages. There are plenty of options for breakfast, lunch, dinner or snack that are healthy and filling. Savory or sweet, each "hand pie" is satisfying and easy to enjoy on site or to-go. We pride ourselves on freshly-prepared piroshky and our customers delight in seeing them made before their eyes.

The concept for Piroshky Piroshky at SeaTac is a hybrid of our long-standing Pike Place Market store and food court models. The atmosphere of the Market will be replicated with on-site production where customers can watch the delicious pastries being made. All items will be baked fresh on site. The glass display case with warming lamps is completely filled with fresh Piroshky that moves very quickly. Piroshky can be prepared in a short amount of time and are best when consumed straight from the oven.

90% of local and non-local customers purchase our pastries to-go. Many visitors to Seattle make a final stop at Pike Place Market to purchase a box of piroshky before they go the airport, many times enduring a 40-minute wait in line at the Pike Place location. A location at SeaTac would enhance a visitor's experience, both in knowing they could get a piroshky right off the

plane, or take a box conveniently to-go after passing through security. We have packaging, and thermal bags that are very convenient for travel.

Success Indicators

Challenging Environment

We are experienced in producing high-volume, freshly baked product in a very small workspace. We average 30 seconds to serve each customer, which keeps the lines moving. Despite the popularity, we can also keep up with the demand and not run out of anything. Our employees are trained to work in a fast-paced environment and serve visitors from every culture friendly and efficiently.

Customer Loyalty

Locals enjoy the convenience of Piroshky Piroshky at the Northgate and Southcenter malls, and the Columbia Tower. The continued demand leads us to believe that a location at SeaTac will be successful.

- *"Don't be intimidated by the long lines, they move fast and show you how popular they truly are!" – Yelp*
- *I've been to Seattle several times the past 2 years and I always, always come back to Piroshky Piroshky. – Yelp*
- *I make sure I stop by this place every time we visit Seattle. – Trip Advisor*
- *Next time we go back to Seattle, Piroshky Piroshky will be our first stop. - Yelp*
- *I tried these from their Columbia Tower location...the line is a LOT shorter. I've tried different combinations and my favorite is the beef & onion. The price cannot be beat and the customer service is amazing! - Yelp*

Convenience + Technology

Pre-orders can be made via our popular website and picked up at SeaTac before takeoff. As a known shipper with Alaska Air Cargo we ship a significant amount of piroshky out of state through our online ordering system.

There are no franchised or licensed concepts in this application. Franchise and/or license authorization letters do not apply.

A menu with proposed pricing that adheres to the airport's Pricing Policy is attached to this section.

Menu item	2016 street value	2016 Sea Tac prices	2017 Street Value	2017 Sea tac	2018 street value	2018 Seatac	2019 Steet Value	2019 Seatac	2020 same
SAVORY PIROSHKY									
Beef and Cheese Piroshky	5.4	5.94	5.65	6.07375	5.9	6.195	6.15	6.30375	6.4
Smoked Salmon Pate	5.4	5.94	5.65	6.07375	5.9	6.195	6.15	6.30375	6.4
Beef and Potato Piroshky	4.5	4.95	4.75	5.10625	5	5.25	5.25	5.38125	5.5
Beef and Onion Piroshky	5.4	5.94	5.65	6.07375	5.9	6.195	6.15	6.30375	6.4
Chicken,Mushroom and Rice Piroshky	5.4	5.94	5.65	6.07375	5.9	6.195	6.15	6.30375	6.4
Ham, Cheese and Spinach Piroshky	5.25	5.775	5.5	5.9125	5.75	6.0375	6	6.15	6.25
Bacon, Hashbrown, Egg and Cheese Piroshky	4.9	5.39	5.15	5.53625	5.4	5.67	5.65	5.79125	5.9
Potato and Cheese Piroshky	4.6	5.06	4.85	5.21375	5.1	5.355	5.35	5.48375	5.6
Potato, Mushroom and Onion Piroshky	4.6	5.06	4.85	5.21375	5.1	5.355	5.35	5.48375	5.6
Smoked Mozarella and Brococoli	4.6	5.06	4.85	5.21375	5.1	5.355	5.35	5.48375	5.6
Spinach, Egg and Cheese Piroshky	4.6	5.06	4.85	5.21375	5.1	5.355	5.35	5.48375	5.6
Cabbage and Onion Piroshky	3.95	4.345	4.2	4.515	4.45	4.6725	4.7	4.8175	4.95
Cheddar Cheese Garlic Roll	4.75	5.225	5	5.375	5.25	5.5125	5.5	5.6375	5.75
Jalapeno Cheese Roll	4.75	5.225	5	5.375	5.25	5.5125	5.5	5.6375	5.75
Pepperoni Cheese Roll	4.75	5.225	5	5.375	5.25	5.5125	5.5	5.6375	5.75
SWEET PIROSHKY									
Apple Cinnamon Roll	3.95	4.345	4.2	4.515	4.45	4.6725	4.7	4.8175	4.95
Cinnamon Cardamom Braid	3.95	4.345	4.2	4.515	4.45	4.6725	4.7	4.8175	4.95
Chocolate Cream Hazelnut Roll	4.15	4.565	4.4	4.73	4.65	4.8825	4.9	5.0225	5.15
Marzipan Roll	3.95	4.345	4.2	4.515	4.45	4.6725	4.7	4.8175	4.95
Moscow Roll	3.95	4.345	4.2	4.515	4.45	4.6725	4.7	4.8175	4.95
Cherry White Chocolate Piroshky	3.95	4.345	4.2	4.515	4.45	4.6725	4.7	4.8175	4.95
Rhubarb Piroshky	3.95	4.345	4.2	4.515	4.45	4.6725	4.7	4.8175	4.95
Cranberry Apple Piroshky	3.95	4.345	4.2	4.515	4.45	4.6725	4.7	4.8175	4.95
Borscht (V)	4.5	4.95	4.75	5.10625	5	5.25	5.25	5.38125	5.5
ASSORTED BEVERAGES									
Drip Coffee - Local Roaster	2.25	2.475	2.5	2.6875	2.75	2.8875	3	3.075	3.25
Selection of Local teas	2.75	3.025	3	3.225	3.25	3.4125	3.5	3.5875	3.75
Americano	2.75	3.025	3	3.225	3.25	3.4125	3.5	3.5875	3.75
Latte	3.5	3.85	3.75	4.03125	4	4.2	4.25	4.35625	4.5
Capuccino	4.5	4.95	4.75	5.10625	5	5.25	5.25	5.38125	5.5
Mocha	3.75	4.125	4	4.3	4.25	4.4625	4.5	4.6125	4.75
Can Soda	2	2.2	2.25	2.41875	2.5	2.625	2.75	2.81875	3
Bottled Juices	2.5	2.75	2.75	2.95625	3	3.15	3.25	3.33125	3.5
Bottled water	2.25	2.475	2.5	2.6875	2.75	2.8875	3	3.075	3.25

SWEET PIROSHKY	Description	Note
Apple Cinnamon Roll	Slices of Granny Smith Apples dusted with Cinnamon, rolled into dough and finished with a glaze of honey and lemon. Our bestselling sweet creation.	Veg bestseller
Apricot Turnover	Bright, delicate apricots add unexpected flavor to delicate pastry.	veg
Cinnamon Cardamon Braid	Cinnamon & Cardamon twisted into a braid, accented with raisins and orange peel. Hot out of the oven it is finished off with our Honey Lemon Glaze and a dash of chocolate.	veg
Cranberry Apple Roll	Slices of Granny Smith Apples and Cranberry.	veg
Cherry White Chocolate	Tart Cherries dotted with White chocolate chips.	veg
Chocolate Cream Hazelnut Roll	Housemade hazelnut chocolate with actual bits of Hazelnut.	veg
Coffee Cinnamon Roll	A delicious combination of actual Ground Coffee, Cocoa, and Cinnamon.	veg
Marzipan Roll	Housemade Almond paste layered into a buttery dough.	veg
Moscow Roll	Cream of Wheat and Bavarian cream blended together, providing a light and fluffy vanilla taste	veg
Fresh Rhubarb Piroshky	Slices of Rhubarb with Bavarian cream, this pastry is equally sweet and tart.	veg
Poppy Seed Cinnamon Roll	A spiral of Poppy Seed, Cinnamon and a small helping of raisins. Not only a house favorite but also among our more traditional selection.	veg
Russian Tea Cookies	Melt-in your mouth nut cakes rolled in confectioners sugar.	veg
SAVORY PIROSHKY		
Chicken, Mushroom, and Rice	A tasty combination of Chicken, brown rice and mushrooms accented by Rosemary.	
Bacon, Hash Browns, Egg, and Cheese	Bacon, Hash Browns, Egg, and Cheese Piroshky	breakfast favorite
Smoked Salmon Pate	Giving the traditional Piroshky a local spin, this bestseller is a delicious blend of Smoked Salmon, cream cheese, a dash of dill and onion.	bestseller
Beef and Cheese	A delightful mix of seasoned ground beef and Columbia Valley Sharp Cheddar. Our top selling Piroshky.	bestseller
Beef and Onion	Deliciously seasoned ground beef flavored with onion. Simplicity is the key to this traditional Piroshky.	
Cabbage and Onion	A hearty, savory pie of cooked peppered cabbage with chives. Most traditional	veg
Cheddar Cheese and Garlic Roll	A blissful roll of tasty bread layered with Columbia Valley Sharp Cheddar cheese, garlic and green onions - another bestseller.	veg
Jalapeno Cheese Roll	A spicy interpretation of the cheddar cheese and garlic roll.	veg
Mushroom, Onion, and Celery	Mushroom, Onion, and Celery	veg
Potato and Cheese	Shredded potatoes, green onions, and cheddar cheese - a kids favorite and best seller.	veg
Potato and Mushroom	Shredded potatoes, green onions, mushrooms.	veg
Sauerkraut, Cabbage, and Onion	Tossed and cooked Sauerkraut, Cabbage & Onion. A dash of Caraway Seeds gives this pastry that old country feel.	veg
Smoked Mozzarella, Mushroom, and Broccoli	Mushroom, celery and broccoli with just the right amount of Smoked Mozzarella.	veg
Spinach, Egg, and Cheese	Spinach tossed with Parmesan then baked with egg. This squared pied is topped of a sprinkle of Columbia Valley Sharp Cheddar.	veg
Ham, Cheese, and Spinach	Good for breakfast or lunch, this flavorful Piroshky combines Spinach and Mozzarella with a generous helping of Ham.	
SOUP - Borscht	A vegan version of a traditional soup.	Vegan/GF

Section 3 – Unit Design, Materials and Capital Investment

It was a welcome challenge to design the unit floor plan. We have successfully laid out all of the equipment and display cases within the space in accordance with the high standards of Sea-Tac, while reinforcing our brand identity. Located at the crossroads of the terminals, the high-traffic location creates an impression of freshness and gives particular attention to the display of piroshky being freshly made and baked on-site.

Design Description

The storefront uses a simple color palette of yellow, red, natural wood and stainless steel to create a space that is welcoming and efficient.

Our trademark, muted yellow is our color of choice for the central column. This provides a familiar and inviting focal point that is easily seen when approaching from any direction on the concourse. The storefront walls are to be clad in red tempered glass tiles, providing a textural element that is visually striking. Menu boards with photographs will be integrated into the overall display zone around the column.

The existing glass canopy provides a strong visual element to the space. In keeping with Northwest Modern style, we use this element to visually identify the entry to our space. Exposed form signage will be suspended from the canopy, and will use the traditional typeface of Piroshky Piroshky. The hand-crafted lettering is rustic and reminiscent of woodblock letters. The signage is consistent with our existing locations and meets airport standards.

The interior work zones are visually organized by function and the equipment is laid out to maximize efficiency in the small space. Sightlines to back of house operations are minimized. We have minimized the covered space. There are no unusual utility requirements. The three work zones are:

- Production – Bakery and prep table, dough roller and baking ovens.
- Clean up - Dishwasher station, sinks.
- Display & Sales –Heated display case for fresh-baked items, beverage display, point of sale terminals, other merchandise, espresso machine and condiments.

Display and sales countertops will be made from fine solid wood. It is exceptionally sanitary and food-safe, with inherent properties that prevent bacteria build-up. Bakers table countertop will be solid wood. Stainless steel will be used in the clean-up area.

There are no unusual utility requirements for our concept. We use ovens that do not require an exhaust fan. All equipment included in the concept meets King County Health Department requirements.

Exhibit 6
Capital Investment Form

Respondents are required to submit their proposed capital investment and indicate the sources of funding to be used for the tenant improvements and working capital. Please complete one form for each unit included in your submittal and one form that includes consolidated information for all units included in your submittal.

Unit/Package Number: Central Terminal Unit CT-3, Food Service - Single Unit 8
Concept: Specialty Bakery & Coffee
Square Feet: 452

Initial Capital Investment	Amount	Percent of Initial Capital Investment
- Leasehold Improvements	$50,000	30 %
- Furnishings, Fixtures and Equipment	$40,000	23 %
- Design, Engineering, and Construction Management [1]	$80,000	47 %
Total Initial Capital Investment	$170,000	100%
Total Initial Capital Investment/Sq.Ft	$378 /Sq.Ft	

Mid-Term Refurbishment Investment	
- Minimum Mid-Term Refurbishment Investment [2]	$289,000
- Minimum Mid-Term Refurbishment Investment/Sq.Ft	$64 /Sq.Ft

Working Capital	
- Amount of Working Capital Available	$ 200,000

- Sources of Working Capital (list below)

Owners Investment $10,000 / 5%

Ongoing Business Cash Flow $30,000 / 15%

Bank of America SBA Loan $160,000 / 80%

[1] Must not exceed 12% of Initial Minimum Investment

[2] Must be minimum of 15% of the Initial Investment

We efficiently plan our interior space to keep use to a minimum. The highest level of sustainability is to use less. We will incorporate with:

- LED or energy efficient lighting,
- flooring that is high in recycled content,
- low-VOC paints, adhesives, and sealants
- wood countertops that come from domestic sources
- water-conserving fixtures; and

We will use furniture and products from sources that promote safe manufacturing processes and socially just business practices. When possible, we will use local sources.
Where ever possible we will use reclaimed or material with recycled content. We promote recycling in our business practices as well.

The minimum capital investment (per square foot and total) that will be made to build out the unit(s) (not including the cost of initial inventory), along with a separate figure for the minimum investment per square foot that will be invested for the midterm refurbishment of the unit(s), is provided in **Exhibit 6 – attached to this section.**

Section 4 – Financial Projections and Financial Offer

Piroshky Pirosky's completed financial offer using the form provided in **Exhibit 7** and a written sample of the Pro Forma template provided in **Exhibit 8** is attached to this section.

The financial Pro Forma using the Excel template is also submitted as a separate Excel file on the jump drive.

TheProForma has been submitted electronically in Excel using the downloadable template (www.lease.seatacshops.com/forms).

Exhibit 7
Financial Offer Form

During each year of the term of the Agreement, for the right and privilege of operating and managing the Premises at the Airport, the undersigned company hereby proposes to pay monthly to the Port beginning on the Rent Commencement Date, the greater of items 1 or 2 below:

1) One-twelfth (1/12) of the Minimum Annual Guarantee (MAG) paid in advance, on the first (1st) day of the month. The MAG for the Initial Period is two hundred fifty thousand dollars ($250,000). For the second Calendar Year and each subsequent Calendar Year or partial Calendar Year during the Term, the MAG will be eighty-five percent (85%) of the total amount paid (whether by MAG or Percentage Fees) by Concessionaire to the Port for the previous Agreement Year, but no less than the prior year MAG.

OR

2) Proposed Percentage(s) of Gross Sales calculated as follows:

Flat Rate Percentage Fee of:

Annual Gross Sales	Proposed Percentage Fee in Number Format	Proposed Percentage Fee in Words
$_____	_____%	

OR

Tiered Percentage Fee of: (Add tiers as necessary on a separate sheet of paper using this format.)

Annual Gross Sales	Proposed Percentage Fee in Number Format	Proposed Percentage Fee in Words
Annual Gross Sales less than $600,000	11%	eleven
Annual Gross Sales greater than $600,000 and less than $800,000	12	twelve
Annual Gross Sales equal to or greater than **800,000**	15%	fifteen

The Minimum Annual Guarantee and percentage fee will be reconciled annually, as set forth in the draft Agreement.

The signature of the Chief Financial Officer certifies that this Financial Offer is supportable throughout the term of the Agreement.

ATTEST:

_____
(Witness Signature)

Piroshky Piroshky Bakery
(Company Name)

BY: _____
(Signature of Chief Financial Officer)

Olga Sagan
(Printed Name of Chief Financial Officer)

DATE: 2/15/16 Telephone No. 206764-1000

Exhibit 8 - Financial Proforma Template

Seattle - Tacoma International Airport
Proforma Statement, Airport Dining and Retail Program

Complete One Proforma for Each Unit and One Consolidated Proforma for the Package

PROFORMA[1]
(constant 2015 dollars)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
ASSUMPTIONS USED												
Enplanements[2]	22,278,664	22,343,039	22,407,600	23,068,649	23,749,200	24,449,827	25,171,124	25,913,700	26,587,191	27,278,185	27,987,138	271,234,317
Sales per Enplanement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Square Feet												
Sales per Square Foot	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PROJECTIONS												
Gross Sales:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cost of Goods Sold	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gross Profit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses												
Payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Benefits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Utilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Franchise/License Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rent to Port	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
General & Administrative	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Washington Lease Excise Tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Direct Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
EBITDA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest, Depreciation, and Amortization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Profit Before Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Initial Investment	$ -											n/a
Initial Investment per Square Foot	$ -											n/a
Total Food Service Investment	$ -											n/a
Initial Food Service Investment per Square Foot[3]	$ -											n/a
Total Retail Investment	$ -											n/a
Initial Retail Investment per Square Foot[3]	$ -											n/a

(1) The term length varies by package. The CEP documents identify when each unit will be available for build-out and the term length. These dates should be considered when completing this proforma.

Section 5 - Management, Staffing, Operations and Environmental Sustainability

Piroshky Piroshky management and staffing structure is a combination of very hands on management and independent working employees. All new employees are provided with full training for their position. Employees are expected to be precise in following all recipes, manuals, and demonstrated techniques during training. Managers ensure that new employees are provided with in-depth information regarding his or her specific role and responsibilities. Over time, we've developed a complete system for running the business efficiently while maintaining superior quality. Employees are cross-trained in other duties once they learn all aspects and techniques pertaining to their position. Our philosophy is there is always something new to learn and plenty of room to improve, so training is a process that never truly ends.

Front of House Positions	Back of House Positions	Wholesale Production
Cashier (opening, closing, shift lead)	Baking Manager	Night Baker
Cashier assistant	Baker	Production Line Crew
Line Greeter	Bakers Assistants	Office Manager
Shift Manager	Production Line Crew	Cleaner
Assistant Manager	Dishwasher	Driver
Supervisor – Mall locations		

In order to maintain a smooth flowing business practice at our locations it is not only important that we staff enough employees to meet break/lunch laws but also to ensure we meet the needs of our customers as well.

Proper staffing levels include a capable opener who can meet opening presentation goals (pastries, signage, drinks etc. displayed and ready to sell) by the time the bakery opens; adequate all-day coverage in order to ensure customer wait time is at minimal, well-paced line greeter, and a solid closer that can clean up the bakery in a reasonable amount of time, while still setting our opening team up for success. Due to the nature of our business, retail shifts are scheduled from 6 AM to as late as 11 PM.

We have three employee categories.

1. *Full-time:* An employee who maintains an average of 32 hours per week annually (benefits eligible)

2. *Part-time:* An employee who works under 30 hours per week on a regularly scheduled basis

3. *Seasonal/Contractual:* An employee hired for a position required for only a specific and known duration, usually less than six months.

We are fully committed to meet the operational conditions of the airport environment in specific regard to the operating hours.

Explain the company's philosophies and goals regarding recruitment and retention of management and front-line staff.
We feel that quality work as well as staffing retention lies heavily in accommodating employee schedules while maintaining clear and consistent expectations. We believe people do their best work when there is a balance between mutual respect and high expectations. We practice this with consistent training programs, monthly all employee meetings and on-site management.

Our benefit standards exceeds Washington state law requirements.

- Above-average wages
- Paid lunch time– not required by law
- Flexible schedules
- 401 K Benefits
- Employee referral bonus program
- Employer-paid monthly bus pass *or* monthly parking permit
- Safety footwear reimbursement

All employees on the clock are entitled to free meals and drinks during breaks and lunches. When off the clock, employees are entitled to 50% discount on food for themselves and direct family members.

The company has an open door policy and takes employee concerns and problems seriously. Piroshky Piroshky values each employee and strives to provide a positive work experience. Employees are encouraged to bring any workplace concerns or problems they might have or know about to their supervisor or manager.

We also conduct a quarterly employee management survey where employees respond to questions about their manager's skills in various areas. We use this anonymous survey as a tool to improve company communication and resolution of issues.

All Piroshky Piroshky employees must be capable of regularly performing daily tasks within a reasonable amount of time. Employees who under perform will be subjected to a performance evaluation wherein management will agree upon and discuss specific and general shortcomings with the employee. A resolution timeline will be issued preceding the evaluation. If the discussed performance problems are not resolved within the given timeline, or is a reoccurring problem at any point, the employee's relationship with the company may be terminated. Any employee at any time may be subjected to a performance review.

Describe your company's standards for day-to-day operations, including cleaning (areas and frequency), equipment and furniture upkeep, preventative maintenance schedules for all systems, and the means used to track and document these practices.

Piroshky Piroshky pastries are always freshly baked. Our bakers start their shift one hour before the bakery opens. This gives our first customer a great selection of freshly baked pastries and piroshkies. We continue baking throughout the day, while closely monitoring the demand to ensure our customers get the freshest product possibly. We usually wind down the baking activity two hours before closing. This practice minimizes waste and helps crate a smooth closing process.

All employees are required to pass the food worker's test to obtain their food handler's permit. Passing the test and obtaining a permit, however, are not enough. This knowledge needs to be applied in day-to-day operations. Everyone is responsible for utilizing this information to strictly follow the King County Health Code and be able to answer any and all questions at the time of inspection.

Our company practices several tiers of cleaning frequency. General clean ups occur at a minimum of every 2 hours. Daily cleanings of all equipment and workstations occur after closing. These are monitored by a cleaning checklist and by all staff. We also have a deep cleaning checklist for all workstations. Deep cleaning is performed on a bi-weekly basis. We have regularly scheduled grease trap maintenance and pest control maintenance in all applicable locations.

It is the responsibility of each employee to conduct all tasks in a safe and efficient manner complying with all local, state and federal safety and health regulation standards, and with any special safety concerns for use in a particular area or with a client. Employees must report to their supervisor for each safety and health infraction that occurs by an employee or that the employee witnesses. Furthermore, management requires that every person in the organization assume the responsibility of individual and organizational safety.

Describe in detail, relevant to your type of business, environmental philosophies and practices that are a part of your day -to-day operation.

We pride ourselves on being a minimal packaging, minimal waste operation. We always bake on-demand, which reduces end of the day food waste. We also have a food donation program where all qualified food is donated to the Pike Place Senior Center/Food Bank. Our pastries are a hand-held food, thereby eliminating the need for any utensils. All of the packaging we use is either compostable or recyclable.

Whenever possible, we patronize local suppliers. We give our customers a free reusable tote with orders more than $30.

Section 6 - Job Quality, Workforce Training, Employment and Service Continuity

1. Wages and Compensation – Employers should pay a living wage rate. With the adoption of City of SeaTac Ordinance 13-1020 (commonly referred to as Proposition 1) and the decision in Filo Foods, LLC v. City of SeaTac (Case No. 89723-9), this expectation requires wage rates consistent with Ordinance 13-2010.

a. State the starting pay scale for non-managerial, hourly employees anticipated to be employed in the operation and whether consistent with Ordinance 13-1020.

Piroshky Bakery has always paid more than minimal starting wage. As per SeaTac code our starting wage for non-managerial, hourly employees will begin at $15/hr.

b. Describe other forms of compensation (tips, sales commissions, bonuses) and/or benefits provided.

- Piroshky Piroshky compensates their employees for lunches, which is not a requirement in Washington state.
- Piroshky Piroshky enables employees and management to collect tips.
- We provide performance-based bonuses.
- We also have a employee referral bonus program
- Employer-paid monthly bus pass *or* monthly parking permit
- Annual safety stipend for safety footwear/non-slip shoes.
- Monthly compensation of $220 to go towards our employees on-going expenses.
- 6% employer match to 401K fund
- All employees on the clock are entitled to free meals and drinks during breaks and lunches.
- When off the clock, employees are entitled to 50% discount on food for themselves and direct family members.

c. Indicate your commitment to continued compliance with the future wage increases provided by Ordinance 13-1020.

Piroshky Piroshky will comply with all future wage increases provided by Ordinance 13-1020.

2. Paid Time Off - Employers should provide a minimum level of sick and safe time or paid time off ("PTO") to their employees, at a rate of at least one hour for every forty hours worked, either cash-out unused PTO at year-end or allow employees to carry over a minimum of 40 hours of PTO from year to year, and allow the reinstatement of any accrued PTO if an employee returns to employment after separation or transfer. Note that these expectations may actually exceed the requirements of Ordinance 13-2010.

Provide information about the degree to which these expectations will be met and/or exceeded.

Piroshky Piroshky adopted the City of Seattle Paid Sick and Safe Policy (PSST).
PSST accrual is notified with every paycheck. Our company provides 104 hours of paid time off and 80 hours of unpaid time for full time employees after completing 1 year with employment. This is above average. For each subsequent year of employment, employees receive an additional 16 hours of paid time off .
Piroshky Piroshky's full-time requirement is only 32 hour a week.

We will meet or exceed the requirements of Paid Time Off, sick leave and safe time or paid time off (PTO) to our employees.

3. Affordable Care Act Compliance – Employers should provide health insurance to their full-time employees, consistent with the requirements of the Affordable Care Act ("ACA"). Employers should provide information about the provision of health insurance to full-time employees consistent with the requirements of the ACA.

   At present, Piroshky Piroshky has less than 50 full-time employees. the number of full-time employees at Piroshky Piroshky is below fifty. Therefore, we are not required to provide health insurance to our employees according to the Affordabe Care Act (ACA). Piroshky Piroshky has enacted an extra compensation plan for employees to use towards anything that they might need. If our company reaches the minimal requirements for providing health insurance, we will update our policies and meet the requirements of the ACA.

4. Employee Training- Outline employee training practices, including a brief description of customer service, merchandise/menu and store operations training or any other training programs unique to the proposed concepts provided to employees.

   We're dedicated to providing the best in baking and service to our customers. All new employees are provided with full training for their position. Over time, we've developed a complete system for running the business efficiently while maintaining superior quality. We believe there is always something new to learn and plenty of room to improve, so training is a process that never truly ends.

   All employees receive an employee handbook that serves as a written guide for a successful employer/employee relationship. It outlines company history, equal opportunity policy, drug-free workplace policy, zero-tolerance for harassment, workplace bullying policy, safety policy, open door policy, and other policies and procedures related to working at Piroshky Piroshky.

Customer Service – All Employees

To ensure a good customer experience each employee learns many phrases that we don't say, as well as standard ones that we do. For example, our cashiers are prohibited from asking: "is that all, is that it, or is this everything". Instead, we encourage the use of phrases such as: "is there anything else I can do for you, or did something sweet catch your eye today?"

Our employees use positive language and create an open dialogue with the customer. This encourages people to order more but it also positively frames the conversation to reinforce the impression that we are more than happy to continue serving them.

In addition to the language we use there are other techniques designed to accommodate the customers. If we are out of a particular item we offer up something similar or comparable immediately so that the customer doesn't have re-read the menu to search for what they want. When we get a customer with a severe language barrier we "ask" them to point to the displays to make their selection. Little things like this are taught to everyone and practiced constantly to promote great customer service. Exercised regularly, this empowers our cashiers and it makes their job less stressful. Using those techniques – we are still able to keep average serving speed per customer at around 30 seconds!

Health Code – All Employees

All employees are required to pass the food worker's test to obtain their food handler's permit. Passing the test and obtaining a permit, however, are not enough. This knowledge needs to be applied in day-to-day operations. Everyone is responsible for utilizing this information to strictly follow the King County Health Code and be able to answer any and all questions at the time of inspection.

Position-Specific Training

Cashiers - New cashiers receive 24 hours of training:

Shift One: 8 hours of menu introduction. On the first day cashiers are sent a "study guide" that includes a list of all pastries with pictures that includes handling instructions and best practices.
Shift Two: 4-6 hours of food/menu, 2 hours of POS register training
Shift Three: 6 hours of POS register, 2 hours of cleaning & dishwashing training

Cleaners – New night cleaners receive two 8-hour shifts of training.
This is followed by an independent shift that is evaluated by a senior employee of

supervisor.
Each shift is evaluated for mistakes and corrections are noted immediately. Every morning the opening baker and cashier compile a list of improvements and a supervisor or manager reviews them with the employee. Cleaners and cashiers are trained how to wash dishes efficiently, and are made aware of sanitary rules.

Bakers: New bakers receive about 2 weeks training, on average.
Piroshky Piroshky hires only experienced bakers and provides a sufficient training to adapt to our rules, quality standards and expectations. To provide consistent quality control for our unique product, each baker is trained by a senior baker with at least 2 years experience or directly by the owners. Emphasis is on strict adherence to presentation guidelines, expert preparation practices, menu knowledge and a real cultural immersion to all things piroshky.

5. Employment Continuity Pool – Employers should provide a commitment to interview qualified, non-managerial, non-supervisory and non-confidential employees from the Port's Employment Continuity Pool, managed by a third party vendor, before considering applications outside the pool. If the award of this opportunity may result in the operation of four (4) or more units at SeaTac, you are expected to provide a commitment to hire such employees from the pool. For employees that may be hired from the pool, employers should indicate a commitment to retaining those employees for a minimum of a 90-day "trial period" and the conditions for such "trial period." If you do not believe that participation in the Port's Employment Continuity Pool will be applicable, please explain in your submittal.

   Piroshky Piroshky will be happy to interview and consider employees from the Port's Employment Continuity Pool. We think this is a great opportunity for our business to work with people that have been already cleared for security and are familiar with airport operations.

6. Service Continuity Assurances – If the award of this opportunity may result in the operation of four (4) or more units, the Commission expects that the company will document good faith discussions with labor organizations representing incumbent employees. If applicable, provide documentation, such as phone logs, emails, journals, agendas and/or notes that show these efforts. If you believe that this assurance is not applicable to your proposal, please explain in your submittal.

   If awarded, this opportunity will result in the operation of only one (1) unit; therefore, the Service Continuity Assurances are not applicable to our proposal.

Section 7 - Small Business Participation

Piroshky Piroshky qualifies as a small business relative to the standards adopted by the U.S. Small Business Administration (SBA) in accordance with the size standards for your North American Industry Classification System (NAICS) code established by the SBA.

Piroshky Piroshky Bakery

Business Address:	309 South Cloverdale Street D16, Seattle WA 98108
Date of Establishment:	October 24, 1992
NCIAS Code:	311811 and 311812

- Average annual receipts over the last three years. **Attached in Section 1.**
- We confirm this business is organized for profit. This is demonstrated by the Articles of Organization, **Attached in Section 1.**
- Piroshky Piroshky is registered in the State of Washington and operates primarily in the U.S.
- Federal Tax Identification Number: **26-1190630**
- Our business is independently owned and operated.
- Our business is not dominant in its field on a national basis.

If awarded, Piroshky Piroshky will commit to the highest degree possible to each opportunity for participation by local, small and/or disadvantaged firms, when appropriate.

We will meaningfully and significantly support local, small, and/or disadvantaged businesses participation. We will continue our practice of sourcing products and/or supplies from local, small and/or disadvantaged firms. Our vendors and trade partners are small business owners, and many are minority-owned. Our training practices enable us to hire low-skilled labor, we are able to provide training and skill-sets to disadvantaged employees so they can successfully continue their carrier in the food-service industry.

The owner, Olga Sagan, is a mentor to other businesses as part of ongoing Emerging Leaders Course of the Small Business Administration.

We will provide product placement opportunities for products produced by small, local or disadvantaged businesses, such local coffee roasters. Our designers and architects are local, small and minority owned firms. We will use them in the design and/or construction of our unit.