

June 20, 2013

Kate Anderson
Kate's Cupcakes, Inc.

Dear Ms. Anderson,

We welcome the opportunity to submit a proposal to acquire the business of Kate's Cupcakes, Inc. and related companies (collectively the "Company" or "Seller") operating approximately 15 retail stores in California selling baked goods (the "Business"). We understand the desire to proceed expeditiously with a sale of the Business. We are prepared to move quickly on the transaction and believe we are well suited to do so. This letter summarizes our proposal.

1. Purchase Price

An entity newly formed by Pearson, LLC ("Buyer") would purchase substantially all of the operating assets, including all tangible and intangible assets, equipment, leases, contract rights, and intellectual property used in the Business for a purchase price of one million one hundred thousand dollars (\$1,100,000). Buyer will not assume any liabilities of the Business of the Company other than liabilities accruing after the closing under contracts or leases assumed by Buyer.

2. Definitive Agreement

The closing will be subject to the negotiation and execution of definitive transaction documents that will include, among other things, customary representations, warranties, covenants, and indemnities by the Seller and their principals regarding the business, operations, and financial condition of the Business.

3. Closing Date

The parties acknowledge that time is of importance and that they will work towards closing the transaction as quickly as possible.

4. Conditions to Closing

The consummation of the Transaction will be subject to the satisfaction of customary conditions, including, without limitation, the following:

- a. The negotiation, execution, and delivery of definitive agreements satisfactory to each of the parties, including retail leases, and securing of any required governmental or third-party approvals, waivers, or consents.

- b. Maintenance of the Company's business in the ordinary course, and the absence of any material adverse change in the Company's business of financial condition or material changed in the conduct of its business as of the date of this Letter of Intent.
- c. The Company not seeking or requesting any type of bankruptcy protection or bankruptcy procedure.

5. Binding Agreement

Other than this paragraph 5, which is intended to be and is legally binding, this letter is nonbinding and constitutes an indication of intent only and creates no liability or obligation of any nature whatsoever among the parties hereto with respect to any contemplated transaction or any other matter or action described or referred to herein. Legally binding obligations with respect to the contemplated transaction will only arise upon execution of a definitive agreement and related agreements with respect to the transaction.

If the foregoing is satisfactory, please indicate your agreement with the foregoing by countersigning a copy of this letter and returning it to our attention. We look forward to proceeding together on this transaction.

Michael D. Kampfer
Managing Director
mkampfer@pearsonllc.com
662.555.0198

By: _____

Its: _____