

FRANCHISE DISCLOSURE DOCUMENT



BEST CAFE - FRANCHISES, LLC

A Delaware Limited Liability Company
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The franchise is for a Corner Bakery Cafe® fast-casual restaurant offering a limited menu of breakfast, lunch and dinner products and featuring artisan breads, salads, sandwiches, soups and baked goods (a “Corner Bakery Cafe” or “Cafe”).

The total investment necessary to begin operation of a Corner Bakery Cafe ranges from \$1,100,000 to \$2,345,000. This includes \$45,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a Corner Bakery Cafe developed under a Development Agreement that you sign to develop between two and three Corner Bakery Cafes ranges from \$1,140,000 to \$2,421,500. This includes \$85,000 to \$105,000 that must be paid to the franchisor or its affiliates. You must agree to develop at least two Corner Bakery Cafes under an Area Development Agreement.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, us or our affiliates in connection with the proposed franchise sale or sooner if required by applicable state law. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our franchise department, Best Cafe - Franchises, LLC at 13355 Noel Road, Suite 1645, Dallas, Texas 75240 (phone: (972) 644-9494).

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

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

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

Issuance Date: April 30, 2026

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit H includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Corner Bakery Cafe business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Corner Bakery Cafe franchisee?	Item 20 or Exhibit G list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this Disclosure Document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

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

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation and/or litigation only in Texas. Out-of-state mediation and/or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with us in Texas than in your own state.
2. Turnover Rate. During the last three years, approximately 33% of franchised outlets and 41% of company-owned outlets were reacquired from franchisees, terminated or ceased operations for other reasons. The franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.
3. Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
4. Short Operating History. The franchisor is at any early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system where the franchisor has a longer operating history.
5. Financial Condition. The franchisor's financial condition, as reflected in its financial statements (see Item 21) calls into question the franchisor's ability to provide services and support to you.

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

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

This disclosure document describes the Corner Bakery Cafe franchise offering. The franchisor, Best Cafe – Franchises, LLC, is referred to in this Disclosure Document as “franchisor,” “we,” “us,” “our,” or “BCF.” We only enter into Franchise and Development Agreements with corporations, limited liability companies, or partnerships, however, your owners will be required to guarantee and assume your obligations under the agreements, so references to “you” or “your” will also include your owners.

The Franchisor

We are a limited liability company, formed in Delaware on May 9, 2023. Our principal business address is 13355 Noel Road, Suite 1645, Dallas, Texas 75240. Our sole business is to offer, sell and service the franchises described in this Disclosure Document, and we do not offer franchises in any other line of business. We do not conduct business under any names except our legal name and Corner Bakery Cafe. We have never operated any businesses either of the type being franchised or in any other line, but we may do so in the future. Our affiliate, Best Cafe Enterprises, LLC, owns and operates Corner Bakery Cafes, which we refer to in this disclosure document as “Company-Owned Cafes”. We began offering franchises for Corner Bakery Cafes on May 22, 2024 and as of December 31, 2025 there were 30 franchised Corner Bakery Cafes in operation. Our agent for service of process is Corporate Creations Network Inc. having its principal business address at 3411 Silverside Road, Tatnall Building Suite 104, New Castle, Wilmington, Delaware 19810. Please see Exhibit B to this Disclosure Document for a list of the names and addresses of our agents for service of process in certain states.

Our Parents, Predecessors, and Affiliates

We are a wholly owned subsidiary of Best Cafe, LLC (“Best Cafe”), which is a wholly owned subsidiary of the Sunil D. Dharod Revocable Trust (“Trust”). Best Cafe and Trust each share our principal business address.

Our affiliate, Best Cafe – IP, LLC (“BCIP”), owns the System and the Marks (defined below) and has granted us the right to sublicense to our franchisees the right to use the System and Marks in accordance with the Franchise Agreements (defined below). BCIP shares our principal business address. BCIP does not operate any Corner Bakery Cafes and has never offered franchises in any line of business.

Our affiliate, On Smile LLC, offers franchises for Cici’s restaurants. Cici’s restaurants specialize in pizza and other foods and operate either as dine-in buffet style restaurants or carry-out restaurants. On Smile LLC has offered franchises for Cici’s restaurants since May 28, 2021. On Smile LLC’s parent, CiCi Enterprises, LP, offered franchises for Cici’s restaurants from September 2003 until April 2021. Under a Service Agreement with CiCi Enterprises, LP, On Smile LLC performs CiCi Enterprises, LP’s obligations under franchise agreements signed prior to April 2021. As of December 31, 2025, there were 267 franchised Cici’s restaurants in operation. On Smile LLC and CiCi Enterprises, LP share our principal business address.

Our predecessor, CBC Restaurant Corp. (“CBC”), assigned the Corner Bakery Cafe Franchise Agreements to us when our affiliate, SSCP Restaurant Investors, LLC, acquired the brand in 2023. CBC’s principal place of business was 12700 Park Central Drive, Suite 1300, Dallas, Texas 75251. CBC operated Corner Bakery Cafes from February 2006 to June 2023 and offered franchises for Corner Bakery Cafes from June 2006 to June 2023. As of June 2023, CBC operated 82 Corner Bakery Cafes and there were 42 franchised Corner Bakery Cafes in operation.

Except as described above, we have no parents, predecessors, or affiliates required to be disclosed in this Item 1.

The Franchise

We offer franchises to develop, own and operate franchised Corner Bakery Cafes (“Franchised Cafes”) under our Franchise Agreement (our current form of which is attached as Exhibit C). Corner Bakery Cafes are fast-casual restaurants serving breakfast, lunch and dinner to guests in neighborhoods throughout the United States. Founded on a philosophy of creating a place for people to relax and gather with family and friends, Corner Bakery Cafes offer a casual atmosphere featuring innovative, seasonal menu options ranging from hot breakfasts and signature paninis to handcrafted salads, sandwiches, pastas and mouthwatering sweets. Offering dine-in, to-go, and catering service for any occasion, Corner Bakery Cafes deliver a premier bakery cafe experience in the heart of neighborhoods everywhere, easily recognized by our distinctive black-and-white awnings. Known for our robust, best-in-class catering platform, Corner Bakery Cafes present fresh food perfectly packaged for delivery or pick up. Guests enjoy the convenience of online ordering for both to go and catering orders. We identify Corner Bakery Cafes by means of the “Corner Bakery Cafe®” name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively, “Marks”) that we have designated, or may in the future designate, for use with the Corner Bakery Café operating system (“System”).

If you are interested in developing multiple Franchised Cafes and meet certain qualifications, we may offer you the opportunity to sign an Area Development Agreement (“Development Agreement”) (our current form of which is attached as Exhibit D), in which we will grant you the right to develop multiple Franchised Cafes in consideration for the Development Fee (as described in Item 5). The Development Agreement will include a Development Schedule for the Franchised Cafes, which will identify deadlines for acquiring a possessory interest in each site that we approve and deadlines for opening each Franchised Cafe. You must agree to develop at least two Corner Bakery Cafes under a Development Agreement. If you sign the Development Agreement, you will also sign your first Franchise Agreement and pay the initial franchise fee for your first Franchised Cafe at the same time. For your second and additional Franchised Cafes, upon approval of your proposed site, you will sign our then-current form of Franchise Agreement and pay the initial franchise fee for the Franchised Cafe. That form of Franchise Agreement may differ from the form of Franchise Agreement included in this Disclosure Document as Exhibit C.

Market and Competition

The market for restaurant bakery services is well-established. You will compete with a variety of restaurants, bakeries, and caterers. The restaurant and bakery business is highly competitive based on price, service, restaurant location and food quality and is subject to fluctuations in consumer tastes, economic conditions, population and traffic patterns.

Industry-Specific Laws and Regulations

You must comply with all applicable local, state and federal laws and regulations, including laws that apply to restaurant businesses such as menu labeling, minimum wages for restaurant workers, payment card industry security standards, health, sanitation, food handling, food preparation, waste disposal, smoking restrictions, discrimination, employment, sexual harassment and advertising laws. Some laws require point of sale disclosures, including statements concerning nutritional and dietary characteristics of the food served at your Franchised Cafe. You must also obtain all operational licenses and real estate permits and licenses.

ITEM 2 BUSINESS EXPERIENCE

Chief Brand Officer: Jeff Hetsel

Mr. Hetsel has served as our Chief Brand Officer since August 2025. Mr. Hetsel has served as OnSmile LLC's President since May 2021 and has held the same position with JMC Restaurant Distribution, LP since October 2019. He has served as President and Chief Operating Officer of CiCi Enterprises, LP

since December 2019. He was CiCi Enterprises, LP's Chief Development Officer from December 2018 to December 2019, and its Franchise Development Officer from October 2018 to December 2018. Mr. Hetsel has also served as the Manager of Hetsel Holdings LLC in Fort Worth, Texas since March 2014, and as the Project and Acquisition Consultant for Hetsel Consulting Group, LLC in Prosper, Texas since January 2014. Mr. Hetsel is based in Dallas, Texas.

President: Erin Hasselgren

Mr. Hasselgren has served as our President since May 2024 and as President of our affiliate, Best Cafe Enterprises, LLC, since May 2024 in Dallas, Texas. He served as our and Best Cafe Enterprises, LLC's Chief Operating Officer from June 2023 to May 2024 in Dallas, Texas. From March 2021 to May 2023, he served as Chief Operating Officer of TOMS King Services, LLC in Palatine, Illinois. From November 2018 to March 2021, Mr. Hasselgren served as Director of Operations for Portillo's Hot Dogs, LLC, in Oakbrook, Illinois.

Vice President and Chief Financial Officer: Dan Patel

Mr. Patel has been our Vice President and Chief Financial Officer since June 2023. Since May 2021, Mr. Patel has served as Chief Financial Officer of On Smile, LLC. Since April 2014, Mr. Patel has served as the Chief Financial Officer of SSCP Management, Inc. ("SSCP"). All positions have been held in Dallas, Texas.

Chief People Officer: Cheryl Green

Ms. Green has been our Chief People Officer since June 2023. She has served as Chief People Officer of our affiliates, SSCP, On Smile, LLC and Top Slice, LLC since April 2023. From April 2000 to March 2023, Ms. Green served as Vice President of Human Resources of SSCP. All positions have been held in Dallas, Texas.

Chief Accounting Officer: Keith Kemplay

Mr. Kemplay has served as our Chief Accounting Officer and for our affiliate SSCP since June 2023. From June 1991 to June 2023, he served as Controller for Deli Management, Inc. in Beaumont, Texas.

Vice President Marketing: Samantha Tench

Ms. Tench has served as our Vice President Marketing since January 2026. From July 2019 to August 2025, Ms. Tench served as Group Account Director for Moroch Holdings, Inc. in Dallas, Texas.

Executive IT Director: Robert Tuttle

Mr. Tuttle has served as Executive IT Director for SSCP since September 2020. From March 2018 to July 2020, he was Security and Compliance Manager for Cinergy Entertainment Group, Inc. in Dallas, Texas.

Senior Director of Franchise Operations: Jacqueline Sullivan

Ms. Sullivan has served as our Senior Director of Franchise Operations and for our affiliate, Best Cafe Enterprises, LLC, since September 2023 in Dallas, Texas. From April 2015 to June 2023, she was Senior Director of Franchise Operations for our predecessor, CBC Restaurant Corp., in Dallas, Texas.

Senior Director Training & Operations Services: Diana Burns

Ms. Burns has served as our Senior Director Training & Operations Services and for our affiliate, Best Cafe Enterprises, LLC since June 2023 in Dallas, Texas. She has held a number of positions with our

predecessor, CBC Restaurant Corp., in Dallas, Texas, including Senior Director Training & Operations Services from July 2021 to July 2023, Director of Operations Administration from June 2016 to July 2021, Director of Franchise Business from May 2014 to June 2016, and Senior Franchise Manager from August 2010 to May 2014.

ITEM 3 LITIGATION

There are no pending or prior litigation matters against us or our affiliates that must be disclosed in this Item.

Lawsuits Filed Against Franchisees In 2025

Unauthorized closure action:

Best Cafe – Franchises, LLC v. Quail Springs Restaurant, LLC, et al., Case No. DC-25-00425 filed on January 10, 2025 before the District Court of Dallas County, Texas.

Prior Actions of our Predecessor

The following action was filed against our predecessor, CBC Restaurant Corp.

The State of Delaware, ex. rel. William S. French vs. Card Compliant, LLC, et al., Case No. N13C-06-289 FSS, New Castle County Superior Court, Delaware. On June 28, 2013, William S. French (the “Relator”) filed a qui tam action in the Superior Court of the State of Delaware against CBC Restaurant Corp., Il Fornaio, CardFact XVIII, Inc. (“CardFact XVIII”), Card Compliant LLC (“Card Compliant”) Vacation Properties United, Ltd. (formerly known as CardFact, Ltd.) (“VPU”), and more than forty other defendants pursuant to the Delaware False Claims and Reporting Act, 6 Del. C. §§ 1201-1211 (the “DFCRA”). The complaint alleged that CBC and the other defendants intentionally failed to report and remit money with respect to unused gift cards to the State of Delaware, and that the defendants knowingly made, used, or caused to be made or used, false statements and records to conceal, avoid, or decrease an obligation to pay or transmit such money to Delaware in violation of the DFCRA. The complaint claimed monetary damages (including treble damages under the DFCRA), penalties, and attorneys’ fees and costs. On March 26, 2014, the State of Delaware intervened in the action pursuant to 6 Del. C. § 1203. On August 30, 2018, CardFact XVII, Card Compliant, VPU and CBC entered into a settlement agreement in which (i) the Relator and the State of Delaware were to be paid \$700,000, (ii) the parties agreed to a general release of all claims, and (iii) the parties agreed that the settlement would not be construed as an admission of liability or wrongdoing.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

U.S. Bankruptcy Court, District of Delaware Bankruptcy Petition: Case No. 23-10245: On March 1, 2023, CBC Restaurant Corp, Corner Bakery Holding Company, and CBC Cardco, Inc. (“Debtors” or “Sellers”) each filed a voluntary petition under Chapter 11 of the United States Code. SSCP Restaurant Investors, LLC (the “Purchaser”) entered into and closed on an asset purchase agreement (the “APA”) with Sellers pursuant to which Purchaser acquired certain assets of Sellers in a sale approved under Section 363 of the Bankruptcy Code. Under the terms of the APA, Purchaser had the right to direct Sellers to assume certain contracts and assign same to Purchaser or its designee. Purchaser directed Sellers to assume and assign the franchise agreements to Best Cafe – Franchises, LLC, Purchaser’s designee.

In re Cici’s Holdings, Inc., et. al., U.S. Bankruptcy Court, Northern District of Texas (Dallas) Bankruptcy Petition: 21-30146 (SGJ). On January 25, 2021, some of our current and former affiliates,

namely, Cici's Holdings, Inc., Awesome Acquisition Company, LLC, CiCi Enterprises, LP, CiCi GP, LLC, CiCi Services LLC, JMC GP, LLC, JMC Restaurant Distribution, LP, and Pizza Parent, LLC, filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. On March 3, 2021, the court approved the debtors' and creditors' pre-packaged Plan of Reorganization, and March 10, 2021, CiCi Enterprises, LP emerged from bankruptcy. On July 2, 2021, the bankruptcy cases against all the petitioners except Pizza Parent, LLC were closed.

Other than these two matters, no bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement, you will pay an initial franchise fee to us in the amount of \$40,000 (the "Initial Franchise Fee"). The Initial Franchise Fee is fully earned by us when paid by you, and it is not refundable for any reason.

Development Fee

When you sign the Development Agreement, you will pay a development fee in the amount of \$20,000 for each Franchised Cafe that you agree to develop (the "Development Fee"). The Development Fee is fully earned by us when paid by you, and it is not refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you in the Development Agreement. In addition, the Development Fee is not credited against any other fees that you will pay to us. You must agree to develop at least two Corner Bakery Cafes under a Development Agreement.

Design Development Fee

Once we have approved your site and you have completed due diligence as required in the Corner Bakery Cafe Operations Manual ("Manual"), we will engage the services of an architect or planner to prepare a design plan (the "Design Development Plan") for your Franchised Cafe. The Design Development Plan will include a schematic space plan layout, and exterior elevations showing desired branding. You must reimburse us for the cost of preparing the Design Development Plan according to the cost schedule set forth in the Manual, which currently includes a \$5,000 base price plus add-ons based on the complexity of the project. This reimbursement is not refundable.

* * * * *

Generally, these fees are uniformly imposed on our franchisees, however, in certain unique circumstances, we may reduce or waive a fee for a particular franchisee.

ITEM 6 OTHER FEES

Type of Fee⁽¹⁾	Amount	Due Date⁽²⁾	Remarks
Royalty Fee	5% of Gross Sales ⁽³⁾	Weekly	We currently sweep your EDTA (as defined in Note 2 below) for the Royalty Fee weekly and for your advertising contributions, Technology Fee, and Online Ordering Fee at the end of each "Reporting Period," which is currently a calendar month. See Note 2.

Type of Fee ⁽¹⁾	Amount	Due Date ⁽²⁾	Remarks
National Marketing Fund Contribution	Currently, 1.25% of Gross Sales	Monthly	Your "Monthly Advertising Obligation" will not exceed 4.5% of Gross Sales, which will be allocated among, the National Marketing Fund contribution, a Regional Marketing Fund contribution (if applicable), a Brand Development Fee (if charged) and local advertising and promotion ("Field Marketing") expenditures approved by us. We may change your Monthly Advertising Obligation or the allocation of it upon written notice to you. Currently, your Monthly Advertising Obligation is 2.25% of Gross Sales, including 1.25% that must be contributed to the National Marketing Fund and 1% that must be spent on Field Marketing. Currently, we do not have any Regional Marketing Funds or collect any Brand Development Fee.
Brand Development Fee	Currently not assessed	Monthly, if implemented	
Regional Marketing Fund Contribution	Currently not assessed	Monthly, if established	
Technology Fee	\$400	Monthly	You must pay a monthly Technology Fee for providing information technology support and access to our technology platforms, intranets, extranets, websites and future services that we make available to you as provided in the Manual. See Item 11.
Audit and Inspection Costs	Actual amount understated by you, plus interest	Upon demand	If an inspection or audit discloses an understatement in any report of 2% or more of Gross Sales for the audit period, you also must reimburse us for all actual costs and expenses connected with the inspection or audit.
Collection Costs and Expenses	Our costs and expenses	Upon demand	These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees, costs incurred in creating or replicating reports demonstrating Gross Sales of the Franchised Cafe, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the above.
Costs and Attorneys' Fees	Our costs and expenses	As incurred	If we prevail in litigation regarding enforcement of the terms of the Development or Franchise Agreement or if we utilize legal counsel as a result of your failure to comply with these agreements, you must pay our costs and expenses, including accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses.

Type of Fee ⁽¹⁾	Amount	Due Date ⁽²⁾	Remarks
Crisis Management	Our costs and expenses	Upon demand	You must reimburse us for any costs and expenses that we incur in responding to any crisis including food borne illness, fire or other casualty, robbery, violence or other situations related to the Franchised Cafe.
Indemnification	The actual losses and expenses incurred by us and our affiliates	As incurred	You must defend, indemnify and hold us and our affiliates harmless in all actions arising out of or resulting from the development or operation of your Franchised Cafe, excluding our gross negligence or willful misconduct.
Interest and Late Charge	Interest: 18% per annum or the maximum rate permitted by law, whichever is less; Late Charge: \$500 for each delinquent payment	When any payment or report is not actually received by us on or before the due date	Interest is due on the amount owed from the date due until paid. We may also require you to provide a letter of credit from a national bank, on terms set forth in the Manual, equal to 150% of all fees (including Royalty Fees, marketing contributions and fees, interest and other payments due to us) anticipated to be due annually under all agreements that you have with us and our affiliates.
Technology Support Services	Currently, \$150/hour	Upon receipt of invoice	Payable if you request our assistance with specialized IT projects including modifications to your menu. We may increase this fee by up to 10% per year.
New Product and Supplier Testing	Our costs of reviewing the application and inspecting the proposed supplier's facilities, equipment and food products and all product testing costs paid by us to third parties; typically \$3,000 to \$5,000	In advance of any review of the application	See Item 8 for a description of the supplier approval process.
Non-Cash Payment Systems	All costs incurred by us associated with non-cash payment systems as they relate to the Franchised Cafe	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems that we specify.
Online Ordering Fee (Catering and Counter)	Currently, \$147	Monthly	We use these fees to pay for the expenses charged by our online ordering vendor. We may increase this fee up to the actual costs of increased fees charged to us by our online ordering vendor.
Quality Control Programs	If implemented, your proportionate share of the actual costs of the program	As incurred	If implemented, you must participate in any quality control programs that we, in our sole discretion, establish, including a "mystery diner" program or any other consumer experience evaluation programs.

Type of Fee ⁽¹⁾	Amount	Due Date ⁽²⁾	Remarks
Post-Opening Assistance	Our fees and charges we may establish. Currently, our weekly fees range from \$5,000 to \$10,000.	As incurred	At your request, we may provide special assistance at the Franchised Cafe for which you will be required to pay these charges. We may increase these charges by up to 10% per year.
Reimbursement of Insurance Costs	Our out-of-pocket costs of obtaining coverage on your behalf	Upon demand	If you fail to obtain or maintain the required minimum insurance, we may obtain the insurance and charge its cost along with our out-of-pocket expenses and a reasonable service fee to you.
Reimbursement of Required Maintenance Expenses	Cost of those expenses and cost of coordinating those repairs	Upon demand	If, at any time, the general state of repair, appearance or cleanliness of your Franchised Cafe, or its furnishings, fixtures, equipment or signage does not meet our standards, and you fail to correct that deficiency as we require, we have the right, but not the obligation, to enter the Franchised Cafe and perform that maintenance at your expense.
Relocation	All charges actually incurred by us in consideration of your relocation request	Upon demand	You may not relocate the Franchised Cafe without our prior written consent, which we may withhold in our sole discretion.
Renewal Fee	50% of our then-current standard initial franchise fee	At the time you sign the renewal franchise agreement	You must pay the Renewal Fee for each of your two renewal terms.
Supply Chain Management	If implemented, your proportionate share of the actual costs of the program	Upon demand	We currently require you to participate in a supply chain management program that includes strategic sourcing, pricing, insights/forecasting, contract administration, reporting/analysis, and inventory management. The program is currently funded with a drop size incentive on each case purchased from the broadline distributor as disclosed in Item 8.
Taxes	Actual tax amounts imposed on us	Immediately upon demand	You must reimburse us for any sales tax, gross receipt tax or similar tax (other than income tax) imposed on us for any payments to us required under the Franchise Agreement, unless the tax is credited against income tax otherwise payable by us.
Temporary Management Personnel Fees	Salaries (including the cost of fringe benefits, which equal 20% of salaries), meals, lodging, other living expenses and transportation of our personnel	As incurred	If you, at any time, cease to employ three managers who have completed our Initial Training Program, we have the right to send our personnel to the Franchised Cafe to manage the Franchised Cafe until you hire replacement managers and they have completed the Initial Training Program. After 60 days, you must pay double the salaries for our management personnel.

Type of Fee ⁽¹⁾	Amount	Due Date ⁽²⁾	Remarks
Temporary Operation Fees	5% of Gross Sales plus the salaries (including the cost of fringe benefits, which equal 20% of salaries), meals, lodging, other living expenses and transportation of our personnel	As incurred	Payable if we temporarily assume management of your Franchised Cafe because your Operating Partner is incapacitated, deceptive practices have been alleged, you have defaulted under the Franchise Agreement, or we are in the process of exercising our purchase right after the termination or expiration of the Franchise Agreement.
Training - Additional	Currently not assessed	Upon demand	We have the right to require certain of your employees as designated by us to attend training programs in addition to the Initial Training Program provided by us and you must pay the actual costs of the training programs.
Training - Learning Management System	Monthly fees for a Learning Management System, at the current rate of \$40 per month	Upon demand	We have a Learning Management System where all training programs, current and future, are housed.
Training - Opening Team of Trainers	Our then-current rate for trainers. Currently, our weekly fees range from \$4,000 to \$5,300.	Upon demand	If you request an opening team of trainers for the fourth or any additional Franchised Cafe that you develop, you will be required to pay these charges.
Travel Expenses of Our Team Members	The cost of changing our travel arrangements	Upon demand	If we make travel arrangements for our personnel to visit your Franchised Cafe and you need to change the date (or we delay their arrival because the Franchised Cafe does not have a certificate of occupancy), you must reimburse us for our costs and expenses in changing our travel arrangements.
Transfer Fee	Franchise Agreement: \$7,500 Development Agreement: \$7,500 multiplied by number of Cafes yet to be developed under the Development Schedule	Before consummation of transfer	You also must pay our costs associated with evaluating the transfer including our outside counsel costs. Transfers are subject to our prior written consent. We do not charge a transfer fee for transfers of a minority percentage of your ownership interests; transfers following the death or disability of you, your Principals or your Operating Partner (as defined in Item 15); or, if you are a partnership, transfers to a corporation (or limited liability company) formed for convenience of ownership.

Type of Fee ⁽¹⁾	Amount	Due Date ⁽²⁾	Remarks
Website Fee	Currently, we do not charge a fee for developing, reviewing, approving and/or hosting customized content specific to a Franchised Cafe on any domain name(s) owned by us, but we reserve the right to do so; and this fee will not exceed \$500 per month.	As incurred	You may not promote, offer or sell any products or services, or use any of the Marks, through the Internet or other future technological avenues without our prior written consent, which we may withhold for any or no reason.

NOTES

- (1) Unless otherwise noted, all fees are imposed by and payable to us and are not refundable. Generally, all fees are uniformly imposed on our franchisees, however, in certain unique circumstances, we may reduce or waive a fee for a particular franchisee.
- (2) You must participate in our electronic funds transfer program authorizing us to utilize a pre-authorized bank draft system to sweep your business checking account ("Electronic Depository Transfer Account" or "EDTA") for any amounts owed to us under the Franchise Agreement and any other agreements with us. You must sign and complete any banking forms that we require to authorize and direct your bank or financial institution to pay and deposit directly to our account, and to charge, the amount of the Royalty Fees, marketing fees and contributions, Technology Fee, Online Ordering Fee, and other amounts due and payable by you under the Franchise Agreement and any other agreements with us or our affiliates. We shall have the authority to Sweep the EDTA at any time as specified in the Manual. Currently, we review your sales numbers and calculate the fees due following the end of each week and following the end of each Reporting Period, which is a calendar month. We sweep the weekly Royalty Fee directly from the EDTA each Thursday and we sweep the amounts due for the marketing contributions, other fees due under the Franchise Agreement, and any other agreements with us or our affiliates directly from the EDTA on the 10th day of each month. You must pay all costs and expenses of establishing and maintaining the EDTA, including transaction fees and wire transfer fees.
- (3) "Gross Sales" include all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed but not when purchased, on-premise sales, off-premise sales, catering sales and any other type of sale, and delivery fees) related to the Franchised Cafe, whether for cash or credit and regardless of collection in the case of credit. Gross Sales also includes all insurance proceeds you receive to replace revenue that you lose from the interruption of your Franchised Cafe due to a casualty or other event covered by business interruption or similar insurance coverage. The term Gross Sales does not include: (a) any bona fide documented federal, state or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority; (b) the sale of food or merchandise for which refunds have been made in good faith to customers; (c) the sale of furnishings, fixtures, equipment and supplies used in the operation of the Franchised Cafe; (d) customer promotional discounts approved by us; and (e) employee meal discounts and tips.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

FRANCHISE AGREEMENT					
Type of Expenditure	Amount (Low Range)	Amount (High Range)	Method of Payment⁽¹⁾	When Due	To Whom Payment Is To Be Made
Pre-Construction Costs ⁽²⁾	\$25,000	\$144,000	As arranged	As arranged	Suppliers, BCF
Construction Costs ⁽³⁾	\$450,000	\$997,000	As arranged	As arranged	Contractors/ Suppliers
Front of House Furniture, Fixtures & Equipment ⁽⁴⁾	\$40,000	\$89,000	As incurred	As incurred	Contractors/ Approved Suppliers
Back of House Furniture, Fixtures & Equipment ⁽⁵⁾	\$208,000	\$300,000	As incurred	As incurred	Contractors/ Approved Suppliers
Smallwares ⁽⁶⁾	\$23,000	\$40,000	As arranged	As arranged	Approved Suppliers
Technology System ⁽⁷⁾	\$55,000	\$75,000	As arranged	As incurred	Suppliers
Catering Equipment ⁽⁸⁾	\$35,000	\$45,000	As incurred	As incurred	Suppliers
Real Property ⁽⁹⁾	Variable	Variable	As arranged	As incurred	Landlord
Initial Franchise Fee ⁽¹⁰⁾	\$40,000	\$40,000	Lump sum	See Item 5	BCF
Grand Opening Marketing ⁽¹¹⁾	\$15,000	\$15,000	As Arranged	30 days before opening to 180 days after opening	Vendors
Training ⁽¹²⁾	\$40,000	\$100,000	As arranged	As incurred	Suppliers
Inventory ⁽¹³⁾	\$14,000	\$25,000	As incurred	As incurred	Suppliers
Security Deposits ⁽¹⁴⁾	\$5,000	\$25,000	As incurred	As incurred	Contractors/ Suppliers
Additional Funds – 3 Months ⁽¹⁵⁾	\$150,000	\$450,000	As arranged	As incurred	Suppliers/ Landlord/ Employees
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹⁸⁾	\$1,100,000	\$2,345,000	(does not include real property costs)		

DEVELOPMENT AGREEMENT FOR TWO TO THREE CORNER BAKERY CAFES					
Type of Expenditure	Amount (Low Range)	Amount (High Range)	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee ⁽¹⁰⁾	\$40,000	\$60,000	Lump Sum	When the Development Agreement is signed	BCF
Leasehold and Office Expenses ⁽¹⁶⁾	\$0	\$1,500	As Arranged	Monthly	Landlord and Vendors
Additional Funds - 3 Months ⁽¹⁷⁾	\$0	\$15,000	As Arranged	As incurred	Insurers and Vendors
Estimated Investment for First Cafe from Table Above	\$1,100,000	\$2,345,000			
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹⁸⁾	\$1,140,000	\$2,421,500			

NOTES

1. Expenditures. Costs paid to us are not refundable. Whether any costs paid to third parties are refundable will vary based on your vendors' policies. We do not offer any financing directly or indirectly for any part of the initial investment.

2. Pre-Construction Costs. This estimate includes costs for project and construction management, design, architectural, kitchen, mechanical, electrical, plumbing and related drawings including the Design Development Fee described in Item 5, engineering, testing, permit expeditor, city permits and fees, and legal costs for lease negotiation. Costs may vary significantly by geographic location.

3. Construction Costs. This estimate includes all costs incurred in constructing or remodeling a site to conform to our standards, general contractor and sub-contractor fees and other costs to construct leasehold improvements to conform to our standards, including exterior signage and awnings. In addition, this estimate includes items provided by the tenant for use in the lease space which would remain in the space at the conclusion of the lease (e.g. walk in cooler, refrigeration, exhaust hoods and fans, patio heaters, flooring, HVAC test & balance, etc.). The cost of constructing a building shell is not included. The cost of developing a site will vary widely depending upon the location/market, design, configuration, condition of the premises, condition and configuration of existing services and facilities (e.g. air conditioning, electrical, and plumbing), the lease terms, and the local real estate market. Often, landlords provide allowances for tenant improvements.

Construction costs presented are net of tenant improvement allowances, which vary widely. For Company-Owned Cafes that opened in 2011 through 2024, tenant improvement allowances ranged from \$0 to approximately \$523,000. Your total net cost to construct a Cafe may be significantly impacted by the level of tenant improvement allowances received.

4. Front of House Furniture, Fixtures & Equipment. This estimate includes all front of house furniture and fixtures for a Cafe, including chairs, tables, window blinds, décor package, patio furniture, and umbrellas.

5. Back of House Furniture, Fixtures & Equipment. This estimate includes the cost of all kitchen equipment, soda system, ice makers, coffee equipment, specialty equipment and sound system.

6. Smallwares. The estimate includes cooking, serving and other utensils for food preparation, trash cans, ladders, dollies, etc.

7. Technology System. The figure provided is the cost to purchase a computerized cash accounting and point of sale system, including installation. Your costs may vary. We require you to use our designated point of sale hardware and software system as described in Items 8 and 11.

8. Catering Equipment. You must acquire equipment to support the catering program delivery service including purchasing or leasing a refrigerated vehicle that meets our specifications for refrigeration installation and delivery capacity. Costs associated with obtaining an approved delivery vehicle include the purchase price or lease costs, upfitting costs (refrigeration & graphics) and delivery costs. Each vehicle also requires an equipment package which costs up to \$1,500 that includes approved delivery crates, an approved dolly/hand-truck/cart and an anti-slip mat as outlined in our Catering Sales and Operating Procedures Manuals.

We also require additional catering support services such as a fleet management program for delivery vehicle fuel and maintenance, a program for monitoring and approving delivery driver Motor Vehicle Records per our standards and a telecommunications program for delivery personnel. While these costs are variable based on usage, the average monthly costs to maintain these programs is less than \$1,000 per month per delivery vehicle.

9. Real Property. We expect that you will lease the location for the Franchised Cafe, which will vary in size from 2,200 to 4,600 square feet, excluding any patio. Cafes are typically located in densely populated suburban and urban areas. Lease rates can vary from \$20 to \$70 per square foot depending upon the property size, type of transaction and location. You may be required to pay the first and last months' lease payment upon signing your lease agreement. Lease agreements may include the following expenses: taxes, insurance, maintenance, fixed rent (with escalations), advertising, percentage rent and other charges related to the operation of the Franchised Cafe.

10. Initial Franchise Fee and Development Fee. The details concerning the payment of the Development Fee and the Initial Franchise Fee are included in Item 5.

11. Grand Opening Marketing. At least 60 days before the opening of the Franchised Cafe, you must submit a Grand Opening Required Spending Plan ("Grand Opening Plan") to us, which outlines your proposal for grand opening marketing and promotion of the Franchised Cafe. You must obtain our written consent to the Grand Opening Plan before you begin to implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. In addition to the Field Marketing expenditure requirements (as described in Items 6 and 11), you must, during the period beginning 30 days before the scheduled opening of the Franchised Cafe and continuing for 180 days after the Franchised Cafe first opens for business, spend at least \$15,000 to conduct grand opening marketing and promotion in authorized advertising media and for authorized expenditures. Within 30 days of each grand opening expense that you incur, you must submit to us evidence (by invoice or sample, if applicable) of those grand opening marketing and promotional expenditures.

12. Training. This estimate includes the cost of sending your Operating Partner, Controlling Principal, Multi-Unit Manager (each as defined in Item 15), general manager and three managers of the Franchised Cafe to attend our Initial Training Program in Dallas, Texas. We do not charge a tuition fee for the Initial Training Program; however, you will be responsible for any salaries, meals, lodging, other living expenses and transportation costs incurred by your employees while attending the Initial Training Program. This estimate also includes the pre-opening training salaries for your managers and employees at the Franchised Cafe. A Developer's training expenses are reflected in the table of estimated initial investment expenses under the Franchise Agreement.

13. Inventory. This estimate includes food products through opening day and initial startup office supplies and restaurant supplies.

14. Security Deposits. This item is an estimated range for security deposits, utility deposits, business licenses and other prepaid expenses.

15. Additional Funds – 3 Months. This is our estimate of your additional funds required for the initial period after your business opens, including professional fees, three months of lease payments, the cost of three months of inventory (including restaurant equipment and food), payroll, facility expenses like utilities, insurance, pest control, security, repairs and maintenance, complimentary sales and other costs. The range provided also includes our best estimate of the cash requirements, including salaries for hourly employees and managers (excluding bonuses) for the first three months of operations. For the purpose of this Disclosure Document, we have estimated the initial period to be three months from the date the Franchised Cafe opens for business. These amounts do not include any estimates for debt service. We relied on our experience with our Company-Owned Cafes to derive our estimates for these additional funds.

16. Developer: Leasehold and Office Expenses. Developers will likely need only a moderately sized and furnished office and, depending on their other business activities, may be able to operate from their existing facility. You must agree to develop at least two Corner Bakery Cafes under a Development Agreement.

17. Developer: Additional Funds – 3 Months. Developers do not generate revenue from their development activities. Ongoing expenses are for site selection and routine expenses associated with maintaining an office.

18. Total Estimated Initial Investment. For each Franchised Cafe that you develop under the Development Agreement, you will incur the initial investment expenses outlined in the Franchise Agreement table in this Item 7.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Products and Services

Construction of the Franchised Cafe. You must engage an architect that we have approved (an "Approved Architect") to develop construction plans and specifications ("Plans and Specifications") for your Franchised Cafe, a branding and signage vendor that we have approved (an "Approved Branding Vendor") to develop a plan for branding the exterior of the Franchised Cafe (a "Branding Plan"), a project manager that we have approved to manage the due diligence, design, bidding and construction processes for your Franchised Cafe, and, at our option, a general contractor that we have approved to construct your Franchised Cafe. Lists of Approved Architects and Approved Branding Vendors are set forth in the Manual. We may approve other architects that you propose, provided that the architect meets our qualifications and successfully completes a training program conducted by an Approved Architect that we designate, for which you may be required to pay us or such Approved Architect a fee.

Proprietary Products. We may, periodically, in our sole discretion, require that you purchase, use, offer and/or promote, and maintain in stock at the Franchised Cafe in those quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary breads, sweets, soups, beverages, products, and other ingredients and raw materials that are manufactured in accordance with our proprietary recipes, specifications and/or formulas and/or uniquely specified or sourced ("Proprietary Products"). You must purchase those Proprietary Products only from us or a third party designated and licensed by us to prepare and sell those products. We are not obligated to reveal the recipes, specifications and/or formulas of these Proprietary Products, or the terms and conditions of any supplier or other contracts, to you, non-

designated suppliers or any other third parties. Our specifications or minimum standards are included in the Manual. We will update the Manual to reflect any modifications to the specifications or minimum standards.

Non-Proprietary Ingredients and Products. We may designate other food products, condiments, beverages, fixtures, smallwares, furnishings, equipment, uniforms, supplies, services, menus, packaging, forms, paper products, computer hardware, software and other products and equipment, other than Proprietary Products, that you must use and/or offer and sell at the Franchised Cafe (“Non-Proprietary Products”). You may use, offer or sell only those Non-Proprietary Products that we have expressly authorized, and those products must be purchased or obtained from a producer, manufacturer, supplier or service provider that we have approved (“Approved Supplier”) or an alternative Approved Supplier that we have designated or approved. We are not obligated to disclose the terms and conditions, including the pricing, to anyone as to Proprietary or Non-Proprietary Products. We may also determine that certain Non-Proprietary Products (e.g., beverages) will be limited to a designated brand or brands.

Each Approved Supplier must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure, and must demonstrate to our reasonable satisfaction: (1) its ability to supply a Non-Proprietary Product meeting our specifications, which may include, without limitation, specifications as to brand name, contents, manner of preparation, ingredients, quality, freshness and compliance with governmental standards and regulations; and (2) its reliability as to delivery and the consistent quality of its products and services.

Our Approved Supplier List is available upon written request. We are the only approved supplier of certain information technology services with regard to menu management. Other than as noted in the previous sentence, neither we nor any of our affiliates are Designated or Approved Suppliers for any category of goods or services. None of our officers own an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers, of the Corner Bakery Cafe franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers (or have subsidiaries that may be suppliers) to our franchise system.

Technology System. You must obtain, maintain, and use the hardware, software, other equipment and accessories, and network connections that we specify periodically in the Manual necessary to operate the point-of-sale system, conduct day-to-day cafe sales operations, record financial and customer data, and communicate with us (collectively, the “Technology System”). If we require you to use or purchase any proprietary software or hardware or the software or hardware of a designated vendor, you must execute and pay any fees associated with any license agreements or any related maintenance agreements that we or the licensor of the software or hardware require. You must replace, upgrade, or update at your expense the Technology System as we may require periodically without limitation.

We currently require you to purchase specific hardware, license specific software, obtain broadband and phone services from an approved vendor, and contract for specific support services. You also must use our information technology services for support with regard to menu management and house accounts. The Technology System is described in greater detail in Item 11.

Insurance. You are responsible for all loss or damage arising from or related to your development and operation of the Franchised Cafe and all demands or claims with respect to any loss, liability, personal injury, death, property damage or expense occurring upon the premises of, or arising from the development and/or operation of, the Franchised Cafe. You should maintain in full force and effect that insurance that you determine is necessary or appropriate for liabilities caused by or occurring in the development or operation of the Franchised Cafe, including, at minimum, policies of the kinds, in the amounts, and containing only the exceptions and exclusions that we specify periodically in the Manual or otherwise in writing. We may reasonably increase the minimum coverage required and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. We will provide to you written notice of those modifications, and you must take prompt action to secure the additional coverage or higher policy limits.

Each insurance policy must: (1) be written by an insurance company that has received and maintains at least an "A-" rating by the latest edition of Best's Insurance Rating Service, (2) be specifically endorsed to provide that the coverages shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory, (3) not contain a provision that in any way limits or reduces coverage for you in the event of a claim by us or our affiliates, (4) must extend to, and provide indemnity for, all of your obligations and liabilities to third parties and all other items for which you are required to indemnify us under this Agreement, and (5) must name us, our affiliates, our and their successors, assigns, officers, directors, agents, shareholders, and employees, and any Entity or individual with an insurable interest that we designate as an additional named insured in such policies to the extent each has an insurable interest.

You must procure insurance for each Franchised Cafe at least 15 days before you take possession of the site for a Franchised Cafe. With respect to each Franchised Cafe, the required insurance policies currently include, at a minimum, the following: (1) Commercial General Liability Insurance, including broad form contractual liability, broad-form property damage, personal injury, completed operations, products liability, and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 annual aggregate; coverage must apply on a per location basis; (2) "All Risk" Property Insurance, including fire and extended coverage insurance (including vandalism and malicious mischief insurance, earthquake insurance and flood insurance where applicable) for the Franchised Cafe in an amount equal to at least the full replacement value of the Franchised Cafe, any tenant improvements and all Business Personal Property; (3) Worker's Compensation Insurance and such other insurance as may be required by statute or rule of the state or locality in which the Franchised Cafe is located (this coverage must also be in effect for all of your employees who participate in any of our training programs and must include Employer's Liability Insurance in the amount of \$500,000 per person, \$500,000 in the aggregate and \$500,000 for occupational disease); (4) Business Interruption and Extra Expense Insurance, including rental payment continuation for a minimum of 12 months, royalties, loss of profits and other extra expenses experienced during the recovery from property loss; (5) Food Borne Illness and Trade Name Restoration Policy in the amount of \$250,000; (6) Builder's Risk Insurance for any construction, renovation, refurbishment or remodeling of the Franchised Cafe, and for any new construction, or substantial renovation, refurbishment or remodeling of the Franchised Cafe, performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us; (7) Business Auto Liability insurance including coverage for all owned, non-owned and hired autos with a limit of liability of not less than \$1,000,000 per occurrence (combined single limit for bodily injury and property damage); and (8) Excess "Umbrella" Liability insurance providing liability insurance in excess of the coverage limits in clauses (1), (3) and (7), on a coverage form at least as broad as those policies, with a limit of not less than \$2,000,000 per occurrence and \$2,000,000 annual aggregate. The insurance policies in clauses (1), (3) and (7) must be endorsed with a hold harmless agreement and a waiver of subrogation in favor of us and any entity or individual that we designate.

If you fail to provide us evidence that you have procured the required insurance upon our request or at times that we designate or fail to maintain such insurance, we may obtain such insurance and charge its cost to you, plus a reasonable fee for such service.

Credit Card and Gift Card Processing. You are required to accept debit cards, credit cards, stored value gift cards or other non-cash payment systems, including participation in loyalty programs, specified by us to enable customers to purchase authorized products and to obtain all necessary hardware and/or software used in connection with these non-cash payment systems. You are required to obtain all necessary hardware and/or software used in connection with these non-cash payment systems. For each Franchised Cafe, you must sign our Stored Value Gift Card Program Franchisee Participation Agreement that is attached as Appendix F to the Franchise Agreement. You also are required to comply with our standards for processing electronic payments and all other standards, laws, rules and regulations applicable to electronic payments that may be published from time to time by payment card companies and applicable to electronic payments including the Payment Card Industry ("PCI") Data Security Standards, Fair and Accurate Credit Transactions Act. All costs of complying with such electronic payment requirements are at your expense.

Quality Assurance. You must participate in any mandatory sanitation and food safety programs that we designate, including periodic inspections and evaluations of the Franchised Cafe and you will be responsible for some (or all) costs of these sanitation programs. We may establish “quality control” programs in which you must participate, such as a “mystery diner” program, other consumer experience evaluation programs, “customer intercept” programs, 800 numbers and employee experience surveys, intercepts, and evaluations, to ensure the highest quality of service and food products in all Cafes. You must pay for your proportionate share of the costs of any such program that we implement. To further ensure quality and food safety standards, you must have food safety audits conducted at the Franchised Cafe at least once every four months at your sole cost. We currently require you to use Steritech to conduct these audits. If you receive a failing score on an audit, you must pay Steritech to conduct another inspection.

Supplier Approval Process

If you desire to procure Non-Proprietary Products from a supplier other than one previously approved or designated by us, you must deliver written notice to us which must: (1) identify the name and address of that supplier; (2) contain that information as may be requested by us or required to be provided pursuant to the Manual (which may include reasonable financial, operational and economic information regarding its business); and (3) identify the authorized Non-Proprietary Products desired to be purchased from that supplier. We will, upon your request, furnish specifications for those Non-Proprietary Products if the specifications are not contained in the Manual. We may request that the proposed supplier furnish us, at no cost to us, product samples, specifications and other information as we may require. We, or our representatives, including qualified third parties, will also be permitted to inspect the proposed supplier's facilities and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for Cafes.

As an additional condition of our approval, we may require a supplier to agree in writing to: (1) provide periodically, upon our request, free samples of any Non-Proprietary Product it intends to supply to you; (2) faithfully comply with our specifications for applicable Non-Proprietary Products sold by it; (3) sell any Non-Proprietary Product bearing our Marks only to our franchisees and only pursuant to a trademark license agreement in the form required by us; (4) provide to us duplicate purchase invoices for our records and inspection purposes; (5) make the products available to all of our Company-Owned and franchised Cafes; and (6) otherwise comply with our reasonable requests.

We will use our good faith efforts to notify you of our decision within 120 days after our receipt of product samples from the proposed alternative supplier and all other requested information. If we approve the supplier, that supplier will be designated an “Alternative Approved Supplier.” We reserve the right, at our option, to re-inspect the facilities and products of any Alternative Approved Supplier and to revoke our approval upon the suppliers' failure to continue to meet any of the criteria above. You or the proposed supplier must pay to us in advance all of our reasonably anticipated costs in reviewing the application of the Alternate Approved Supplier and all current and future reasonable costs and expenses, including travel and lodging costs, related to inspecting, re-inspecting and auditing the Alternate Approved Suppliers' facilities, equipment and food products and all product testing costs paid by us to third parties.

Additional Disclosures

Issuance of Specifications and Standards. To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manual. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards or any other element of the System. Such modifications, however, will generally be uniform for all franchisees. We will notify you of any changes to our Manuals, specifications, or standards in writing, which we may transmit to you electronically. Provided that we require the change or modification to be implemented in all franchised and Company-Owned Cafes and at least 25% of Company-Owned Cafes have actually implemented the change or modification, you shall implement in the Franchised Cafe within 30 days (or such longer period that we may specify) any such changes or modifications to the System as if they were a part of the System at the time this Agreement was signed, and you will make such expenditures as the changes or modifications in the

System may reasonably require.

Proportion of Purchases Subject to Specifications. We estimate that the purchase of products that are subject to our standards and specifications represents approximately 90% of your overall purchases in establishing and operating the Franchised Cafe.

Revenue from Purchases. We and our affiliates may receive fees, rebates, commissions, volume discounts or other payments from third-party suppliers based on purchases made by our franchisees. There are no restrictions on our use of such revenue. Currently, we forward some revenue that we receive as a result of franchisee purchases back to our franchisees on a pro rata basis and use some of the revenue to pay for certain supply chain management services and operational expenses. We may, however, change this policy in the future.

In 2025, Best Cafe - Franchises, LLC did not receive any revenue from required purchases and leases by our franchisees.

Our affiliate, Best Cafe Enterprises, LLC has entered into arrangements with several suppliers that have agreed to pay rebates or commissions to Best Cafe Enterprises, LLC based on purchases made by franchised and Company-Owned Cafes. These rebates and commissions are usually based on the amount of product ordered. Generally, for beverages, the rebate is based on (1) the number of gallons of soda syrup purchased (this amount is \$6.12 per gallon), or (2) the number of cases of certain cans or bottles purchased (this amount generally ranges from \$1 to \$5.25 per case). For food and paper products, rebates are typically calculated as a percentage of the case price, and generally range from 0.1% to 13%, depending on the product category, supplier, and program. Best Cafe Enterprises, LLC also receives \$0.09 on each case of product ordered from a distributor. In addition to the rebates, Best Cafe Enterprises, LLC received \$138,395, which is 0.1% of its total revenue of \$116,270,428 from required purchases by our franchisees of information technology support services for our menu management and house accounts.

Material Benefits. Currently, we do not provide material benefits (such as renewal or granting additional franchises) to you based on your use of Approved Suppliers.

Cooperatives and Purchase Arrangements. We and our affiliates have negotiated, and may in the future negotiate, purchasing arrangements under which suppliers agree to make equipment, products and services available to Cafes. We do not currently have purchasing or distribution cooperatives, but we reserve the right to establish them.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Development and Franchise Agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section in Franchise Agreement (FA) or Development Agreement (DA)	Disclosure Document Item
a. Site selection and acquisition/lease	FA: 3.2 & 3.4 DA: 3.1 & 3.2	7 & 11
b. Pre-opening purchases/leases	FA: 3 & 11 DA: Not Applicable	7 & 8
c. Site development and other pre-opening requirements	FA: 3 DA: 3	6, 7 & 11

Obligation	Section in Franchise Agreement (FA) or Development Agreement (DA)	Disclosure Document Item
d. Initial and ongoing training	FA: 9 DA: Not Applicable	5, 6, 7 & 11
e. Opening	FA: 3.8, 3.9 & Appendix A DA: 3.2 & Appendix A	11
f. Fees	FA: 4, 3.11, 6.3, 9.4, 9.5, 9.6, 10.9.5.2, 10.13, 15.3 & Appendix A DA: 2 & Appendix A	5 & 6
g. Compliance with standards and policies/manuals	FA: 7, 8.4 & 10 DA: Not Applicable	8 & 11
h. Trademarks and proprietary information	FA: 12 DA: Not Applicable	13 & 14
i. Restrictions on products/ services offered	FA: 10.1 - 10.5 DA: Not Applicable	16
j. Warranty and customer service requirements	FA: 10.13.3 DA: Not Applicable	11
k. Territorial development and sales quotas	FA: 1.1 – 1.3, 3 & Appendix A DA: 1, 3 & Appendix A	12
l. Ongoing product/service purchases	FA: 10.3 & 10.4 DA: Not Applicable	8
m. Maintenance, appearance and remodeling requirements	FA: 8.3 & 10.9 - 10.12 DA: Not Applicable	11
n. Insurance	FA: 11 DA: Not Applicable	6 & 7
o. Advertising	FA: 6 & Appendix A DA: Not Applicable	6 & 11
p. Indemnification	FA: 22 DA: 10	6
q. Owner's participation/staffing/ management	FA: 10.9 & 13 DA: Not Applicable	11 & 15
r. Records and reports	FA: 3.6.5, 3.8 & 5 DA: Not Applicable	6
s. Inspections and audits	FA: 3.6.5, 3.8, 5.4, 9.6, 10.1.3, & 10.12 DA: Not Applicable	6 & 11
t. Transfer	FA: 14 & 15 DA: 7	17
u. Renewal	FA: 2.2 & Rider 1 DA: Not Applicable	17
v. Post-termination obligations	FA: 17.2.3 & 19 DA: 6.2 & 9	17
w. Non-competition covenants	FA: 17.2 & Appendix D DA: 9	17

Obligation	Section in Franchise Agreement (FA) or Development Agreement (DA)	Disclosure Document Item
x. Dispute resolution	FA: 27 DA: 10	17

ITEM 10 FINANCING

We do not offer any direct or indirect financing, and we do not guarantee your notes, leases, or obligations.

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

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

Our Pre-Opening Obligations

Before you open your Franchised Cafe, we will:

1. Provide: (a) our site selection criteria and, as you request, a reasonable amount of consultation with respect thereto; and (b) such on-site evaluation as we may deem advisable as part of our evaluation of your request for site approval. (Franchise Agreement, Section 3.2.1)
2. Within 30 days after our receipt of your completed Site Application, advise you in writing whether we have approved or rejected the proposed site. If we do not respond within that time period, we will be deemed to have rejected the proposed site. Our approval or refusal to approve a proposed site may be subject to reasonable conditions as determined in our sole discretion. (Franchise Agreement, Section 3.2.3)
3. Once we have granted our site approval and you have completed due diligence as required in the Manual, we will engage, at your expense, the services of an architect or planner to prepare the Design Development Plan for the Franchised Cafe. (Franchise Agreement, Section 3.3.1)
4. Provide a list of Approved Architects and Approved Branding Vendors and review your proposals to approve other architects. (Franchise Agreement, Section 3.3.2)
5. Review, and approve in our sole discretion, your final Plans and Specifications and Branding Plan (Franchise Agreement, Section 3.3.2)
6. Review and, in our sole discretion, approve your lease or sublease. (Franchise Agreement, Section 3.4.1)
7. Review and, in our sole discretion, approve your project manager and general contractor and provide you and them with a construction orientation program for the first Franchised Cafe that you develop. The orientation will be conducted in a manner and location deemed appropriate by us and will review the construction standards and procedures commonly employed to construct a Cafe. You may request additional construction orientation at a fee as periodically specified in the Manual. (Franchise Agreement, Sections 3.6.1 and 3.6.2)
8. Conduct a final inspection of the Franchised Cafe and provide you with express written authorization to open the Franchised Cafe if you have complied with all conditions. (Franchise Agreement,

Sections 3.8 and 3.9)

9. Provide you access to an electronic version of our confidential and proprietary Manual, which contains information that is unique, necessary and material to the System. The Manual remains our property. We maintain our Manual on a searchable proprietary limited access Intranet portal, which only our franchisees may access in accordance with our confidentiality policies. (Franchise Agreement, Section 7) Since the information is in electronic format only and is constantly being updated, the number of pages for the categories of information available vary, change and are indeterminate. We will make the Manual available for your inspection at our offices before you sign a Franchise Agreement if you first sign a Confidentiality Agreement, which is attached as Exhibit F.

10. Provide consultation and advice to you with regard to the development and operation of the Franchised Cafe, building layout, furnishings, fixtures and equipment plans and specifications, training, purchasing and inventory control and those other matters. (Franchise Agreement, Section 9.1) We do not provide, deliver or install these items; however, we provide written specifications for these items and a list of Approved Suppliers.

11. Unless you (or your affiliates) already operate another Franchised Cafe or one of your Franchised Cafes has been certified as a Certified Training Cafe (as described below), provide an Initial Training Program as described further in this Item 11. (Franchise Agreement, Section 9.2).

12. Even if you have a Certified Training Cafe, provide your Controlling Principal, Operating Partner and Multi-Unit Manager a multi-unit orientation / owner orientation portion of the Initial Training Program at our headquarters or such other location as is designated by us. (Franchise Agreement, Section 9.2.2).

13. For your first two Franchised Cafes, provide an opening team of trainers (not to exceed eight personnel) to assist in the opening of the Franchised Cafe and in training your employees for the period deemed necessary by us, which shall not be less than 13 days. For your third Cafe opening, we will provide opening support (not to exceed four personnel) for the period deemed necessary by us, which shall not be less than 13 days, and you must provide your own opening team of trainers. For your fourth and any additional Cafe openings, you will provide your own opening team of trainers from your Certified Training Cafe (as described below). (Franchise Agreement, Section 9.3.1)

Our Obligations After Opening

During the operation of your Franchised Cafe, we will:

1. Collect, administer and spend for advertising purposes monies paid by franchised and Company-Owned Cafes into the Corner Bakery Cafe National Marketing Fund (the "National Marketing Fund") and any regional marketing funds for Cafes ("Regional Marketing Funds") and as Brand Development Fees. (Franchise Agreement, Sections 6.2 – 6.4) We are not required to spend any amount on advertising in your Protected Area. You are not required to contribute to a local or regional advertising cooperative.

2. Periodically provide you with guidelines for marketing and promotions periodically. You must submit to us for our prior approval all marketing plans and promotional materials not prepared or previously approved by us and that vary from our standard marketing and promotional materials. (Franchise Agreement, Section 6.8)

3. Change or modify the System, including modifications to the Manual, menu and menu formats, required equipment, signage, building and premises of the Franchised Cafe (including the trade dress, décor and color schemes), presentation of the Marks, adoption of new administrative forms and means of reporting and payment of any monies owed to us and adoption and use of new or modified Marks or copyrighted materials. (Franchise Agreement, Section 8.1)

4. Periodically advise and consult with you about issues arising from your operation of the Franchised Cafe. We will provide to you our knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of restaurant design, management, food and beverage preparation, sales promotion, service concepts, training, purchasing and inventory control and those other matters. We will provide these services through visits by our representatives to the Franchised Cafe or your offices, online learning programs, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, email communications or other communications. (Franchise Agreement, Section 9.6)

5. We will periodically inspect the Franchised Cafe and its operations to assist your operations and ensure compliance with the System. At your request, we may provide special assistance at the Franchised Cafe for which you will be required to pay our fees and charges that we establish periodically. (Franchise Agreement, Sections 9.6 and 10.12)

6. Review and, in our sole discretion, approve your request to relocate your Franchised Cafe under certain conditions. (Franchise Agreement, Section 3.11)

Advertising

Monthly Advertising Obligation. You will have a Monthly Advertising Obligation, which currently equals 2.25% of the Gross Sales of the Franchised Cafe. Currently, you must contribute 1.25% of the Gross Sales of the Franchised Cafe to the National Marketing Fund, and you must spend 1% of the Gross Sales of the Franchised Cafe for Field Marketing as described below. Following written notice to you, we may increase your Monthly Advertising Obligation and reallocate it among the National Marketing Fund, a Regional Marketing Fund, a Brand Development Fee, and/or your Field Marketing expenditures, each of which is described below. Your Monthly Advertising Obligation will not exceed 4.5% of the Gross Sales of the Franchised Cafe.

Grand Opening Marketing. At least 60 days before the opening of the Franchised Cafe, you must submit a Grand Opening Required Spending Plan ("Grand Opening Plan") to us, which outlines your proposal for grand opening marketing and promotion of the Franchised Cafe. You must obtain our written consent to the Grand Opening Plan before you begin to implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. In addition to the Field Marketing expenditure requirements (as described in Item 6 and below), you must, during the period beginning 30 days before the scheduled opening of the Franchised Cafe and continuing for 180 days after the Franchised Cafe first opens for business, spend at least \$15,000 to conduct grand opening marketing and promotion in authorized advertising media and for authorized expenditures. Within 30 days of each grand opening expense that you incur, you must submit to us evidence (by invoice or sample, if applicable) of those grand opening marketing and promotional expenditures.

National Marketing Fund. We have established a National Marketing Fund for expenses incurred in connection with the creation, administration and development of advertising, marketing, customer relationship marketing and loyalty programs, design and public relations, research and related programs, activities and materials that we, in our sole discretion, deem appropriate. You must contribute to the National Marketing Fund as specified above. Cafes owned by us and our affiliates will also contribute to the National Marketing Fund on the same basis as comparable franchisees. Our vendors and suppliers also may contribute to the National Marketing Fund.

In our last fiscal year, which ended on December 31, 2025, we made expenditures from the National Marketing Fund in the following approximate amounts: 8% on research and development; 61% on media (social, digital, website and loyalty); 1.5% on production; 8% on agency fees; and 21.5% on administrative expenses.

Regional Marketing Funds. We may establish one or more Regional Marketing Funds. If a Regional Marketing Fund is established for a geographical area that includes your Franchised Cafe, you must

contribute to that Regional Marketing Fund in the amount we specify. We or our designee will direct all advertising, marketing and public relations programs and activities financed by the Regional Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. All expenditures from each Regional Marketing Fund will be made to benefit the geographic area to which it applies. Cafes operated by us and our affiliates in an area covered by a Regional Marketing Fund will contribute to the Regional Marketing Fund on the same basis as comparable franchisees. We currently have not established any Regional Marketing Funds.

Administration of National Marketing Fund and the Regional Marketing Funds (collectively, the "Funds"). We or our affiliate or a designee will manage any Fund with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. We may use the Funds to develop and execute any, all, none or a combination of the following: (a) advertising ideas, concepts and general plans; (b) menu, merchandising and marketing materials; (c) merchandising programs and strategies including customer relationship management and loyalty programs; (d) advertising and marketing studies, research or services; (e) public relations activities and brochures; (f) advertising strategies and campaigns, including video, audio, electronic and printed advertising materials; (g) promotional ideas, concepts and general plans; (h) design, administration, and optimization of the Corner Bakery Cafe website; (i) media planning and buying services; (j) menu items and products; (k) collateral creative materials; (l) advertisements, including writing, design, illustration, filming, editing and other preparation of advertising materials; (m) employing advertising and public relations agencies; (n) media programs, including planning, strategy, negotiation, contracting, buying, verifying, modifying and trafficking the programs; (o) market research, including, secret shopper programs, customer satisfaction surveys, and branding studies; (p) keyword or AdWord purchasing programs; (q) administration of the Funds and technical and professional advice in connection with the Funds (including the pro-rata amount of salaries of our personnel who devote time to Fund activities and retainers and fees for outside agencies); and (r) other advertising, promotional, public relations, administrative and related purposes including the administration of Field Marketing. We will not use the Funds for anything whose sole purpose is the marketing of franchises. None of the Funds will be used to defray any of our general operating expenses, except we and our affiliates may be reimbursed by each Fund for salaries, administrative costs, travel expenses, and overhead we or our affiliates incur in the administration of the Funds or Field Marketing.

All disbursements from the Funds will be made first from income and then from contributions. While our intent is to balance each Fund on an annual basis, periodically, a Fund may run at either a surplus or deficit. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Company-Owned and franchised Cafes to a Fund in that year. Each Fund may borrow from us or other lenders to cover deficits in that Fund, and we may cause the Fund to invest any surplus for future use by the Fund.

Any sales and other materials produced with Fund monies will be made available to you without charge or at a reasonable cost. The proceeds of such sales will also be deposited into the Funds.

Contributions to each Fund are not held by us in trust and we do not have any fiduciary obligation to you with respect to contributions to any Fund. We will separately account for the Funds; however, we will not be required to segregate any of the Funds from our other monies. We will prepare annually an unaudited statement of monies collected and costs incurred by the Funds and furnish a copy to you upon your written request. We will have the right to cause each Fund to be incorporated or operated through an entity separate from us at the time that we deem appropriate, and that successor entity will have all of our rights and duties regarding the Funds. Each Fund may hire employees, either full-time or part-time, for its administration.

We have no obligation to ensure that expenditures by each Fund in or affecting any geographic area (including area around your Franchised Cafe) are proportionate or equivalent to the contributions to the National Marketing Fund and any Regional Marketing Fund by Cafes operating in that geographic area, or that any Cafe will benefit directly or in proportion to its contribution to a Fund from the development of

advertising and marketing materials or the placement of advertising.

We have the right to: (1) suspend contributions to and operations of any Fund for one or more periods that we determine to be appropriate; (2) terminate any Fund upon 30 days' written notice to you and establish, if we so elect, one or more new Funds; and (3) defer or waive, upon the written request of any franchised or Company-Owned Cafes, any advertising contributions required by the Franchise Agreement if, in our sole judgment, there has been demonstrated unique, objective circumstances justifying any waiver or deferral. On termination of a Fund, all monies in that Fund will be spent for advertising and/or promotional purposes. We have the right to reinstate any Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days' prior written notice to you. In order to maximize media effectiveness, we may transfer monies from the National Marketing Fund to any Regional Marketing Fund or from any Regional Marketing Fund to the National Marketing Fund. We will not use any of the Funds for advertising that is principally a solicitation for the sale of franchises.

Brand Development Fee. The Brand Development Fee is our exclusive property and will be used by us to cover, among other things, the costs of creating, maintaining, administering and directing advertising and promotional activities including, but not limited to, market research activities, public relations efforts, brand design elements, interactive and digital strategies, research and other related programs, product testing, administering Field Marketing plans and activities, and reimbursement for salaries, administrative costs, travel expenses, and overhead we or our affiliates incur in connection with these activities. Cafes operated by us and our affiliates also pay a Brand Development Fee on the same basis as comparable franchisees. We do not have to separately account to you for the Brand Development Fees we collect and spend. We currently do not collect a Brand Development Fee.

Field Marketing Expenditures. As indicated above, you must pay for Field Marketing the amount set forth in an appendix to the Franchise Agreement (*i.e.*, the balance of your Monthly Advertising Obligation), as later modified by us. You must furnish us with annual Field Marketing plans 60 days before your grand opening and by November 1st of the previous year for each year thereafter. You must provide documentation to us regarding all Field Marketing expenditures on the 15th day of each month.

If you do not make the required Field Marketing expenditures, we may collect the funds from you, including by sweeping your EDTA, and spend the funds (or hire a third party to spend the funds) on your behalf for Field Marketing. We will provide you with at least 30 days' prior notice of any change in your required Field Marketing expenditures. Field Marketing expenditures include the following pre-approved expenditures: (1) amounts spent by you for advertising media, like digital, print, radio, television, banners, posters, direct mail, event invitations, and, if not provided by us at our cost, the cost of producing approved materials necessary to participate in these media; (2) coupons and special (or promotional) offers pre-approved by us; and (3) local marketing and public relations agency fees. Field Marketing expenditures do not include amounts spent for items, in our reasonable judgment, deemed inappropriate for meeting the minimum advertising requirement, including permanent on-premises signage, menu boards, menus, occasion signage, lighting, personnel salaries or administrative costs, transportation vehicles (even though those vehicles may display the Marks), product costs associated with redemption of coupons and promotional offers and employee incentive programs.

We reserve the right, which shall be effective on 30 days' prior written notice to you, to require you to pay your Field Marketing expenses to us at the same time as and in the same manner that you contribute to the National Marketing Fund (including through periodic sweeps of your EDTA). On the first day of each month, you shall furnish to us a request for reimbursement with evidence of your Field Marketing expenditures from the prior month. Provided you are not in default or delinquent on any payments owed to us or our affiliates, we shall reimburse you for such expenditures up to the total amount of your reimbursement account available for reimbursement as of the date of our receipt of your request. We reserve a right to retain a portion of the Field Marketing funds collected by us to cover our costs in administering Field Marketing plans and programs. If your Field Marketing expenditures for any calendar year are less than the actual funding available in your reimbursement account, the excess funding will be carried over for reimbursement during the first calendar quarter of the next calendar year. After March 31 of each calendar year, all funds carried over from the preceding calendar year shall no longer be available

for reimbursement to you and shall be contributed to the National Marketing Fund. Such excess unreimbursed funds are non-refundable, shall not be considered to be held in trust for you and we make no representation and undertake no obligation to make any expenditure of such funds on your behalf.

You must use in your marketing efforts the marketing materials available from us, which will be made available to you at your expense, in the manner and frequency we require. You must submit to us for our prior approval, all marketing plans, written materials and samples of all marketing, public relations and promotional materials not prepared or previously approved by us and that vary from our standard marketing, public relations and promotional materials. If you elect to work with a marketing agency, you must obtain our written approval of that agency, which approval we may in our sole discretion withhold, before you sign any contracts or share any of our Confidential Information (as defined in Item 14) with the agency.

If purchased from a source other than us or our affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for marketing and promotions promulgated periodically by us or our designee and must be submitted to us or our designee at least 30 days before first use for our approval, which we may grant or withhold in our sole discretion. Your advertising may not contain any statement or material which, in our sole discretion, may be considered: (1) in bad taste or offensive to the public or to any group of persons; (2) defamatory of any person or an attack on any competitor; (3) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (4) inconsistent with the public image of the System or the Marks.

Digital Marketing. We or our affiliates may establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, TikTok, Pinterest, LinkedIn, etc.), blogging and vlogging accounts, file or media sharing accounts, applications, mobile applications, keyword or AdWord purchasing programs, e-mail marketing campaigns, or other means of digital advertising on the Internet or any electronic communications network that are intended to promote the Marks, your Franchised Cafe, and the entire network of Cafes (collectively, "Digital Marketing"). We will control all aspects of any Digital Marketing, including those related to your Franchised Cafe. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Franchised Cafe or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time.

Franchise Advisory Council

We currently have a Franchise Advisory Council ("FAC") that is typically comprised of five members elected by franchisees. The FAC serves in an advisory capacity only and does not have operational or decision-making authority. The FAC may advise us with respect to our advertising policies. We retain the right and power to change this arrangement, as well as all other aspects of the FAC, and to dissolve the FAC at our sole discretion.

Point of Sale and Back-Office Systems

You must purchase and use in your Franchised Cafe the Technology System that we designate in the Manual. You must use the Technology System to (a) record all sales, (b) update inventory, (c) enter and manage your customer's contact information, (d) generate sales reports and analysis relating to the Franchised Cafe, (e) offer free wireless Internet access to customers, and (f) provide other services relating to the operation of the Franchised Cafe. If we require you to use or purchase any proprietary software or hardware or the software or hardware of a designated vendor, you must execute and pay any fees associated with any license agreements or any related maintenance agreements that we or the licensor of the software or hardware require.

We currently require you to purchase and use the hardware and software that we designate for your point of sale system, back-office system, office software, switch and firewall, backup system, wi-fi,

online ordering platform, catering ordering platform, and payment processing platform. We have entered into contractual relationships with vendors for these products. The total license fees for these products are currently approximately \$9,000 per year, but the fees, as well as the products, and services are subject to change. You also must use a multi-line phone system with separate lines for catering that has been approved by us. You can expect to spend between \$55,000 to \$75,000 to purchase a complete Technology System.

You must (a) dedicate your Technology System to business uses relating to the operation of the Franchised Cafe; (b) use the Technology System in accordance with our policies and operational procedures; (c) transmit financial and operating data to us as required by the Manuals; (d) do all things necessary to give us unrestricted access to the Technology System at all times (including users IDs and passwords, if necessary) so that we may at any time independently download and transfer data via a connection that we specify; (e) maintain the Technology System in good working order at your own expense; (f) ensure that your employees are adequately trained in the use of the Technology System and our related policies and procedures; and (g) not load or permit to be loaded any unauthorized programs or games on any hardware included in the Technology System. There are no contractual limitations on our right to access information and data stored on your Technology System. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded or if the Technology System (or any of its components) fails to operate on a continuous basis or as we or you expect.

To ensure full operational efficiency and optimum communication capability among computer systems installed at all Cafes, you must, at your expense, replace, upgrade, or update at your expense the Technology System as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Technology System requirements. There is no contractual limitation on the frequency and cost of this obligation.

Our designated hardware vendors and all prescribed installation and maintenance vendors each have a standard warranty on their products, and extended warranty and maintenance programs may be available. We estimate that the current annual cost of optional and/or required maintenance/support contracts, including upgrades/updates, may range from \$4,300 to \$5,300, depending on the type and quantity of equipment being supported. Upgrade and maintenance costs are subject to change, without notice.

Site Selection and Development of Your Franchised Cafe

We do not select the site for your Franchised Cafe. You select the site for your Franchised Cafe, subject to our approval of the site. You must select a site that we approve in writing (the "Site"), and you must fully execute a lease or sublease that we have approved for the Site or fully execute a deed for the Site and submit such deed for recordation by the Site Acquisition Deadline that you and we agree to in your Franchise Agreement and/or your Development Agreement. If you fail to do so, you will be in default and we may terminate your Franchise Agreement and/or Development Agreement. You should not acquire any interest in a site for your Franchised Cafe until you have signed the Franchise Agreement, we have approved the site in writing, and we have approved the lease or sublease. We do not generally own the premises of Corner Bakery Cafes to lease to our franchisees.

You must follow the site selection and site approval processes and standards set forth in the Manual for each site that you develop. You must submit a preliminary site application to us that contains the information we reasonably require for each proposed site which you reasonably believe conforms to our site selection criteria ("Site Application"). Each Site Application must include, among other things, a description of the proposed site, a market feasibility study for the proposed site, a letter of intent (or other written confirmation demonstrating your ability to acquire the proposed site) and a summary of how the site meets our site selection criteria. We may change our site selection criteria periodically, which may include demographic characteristics, traffic count and patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses (including restaurants operated or franchised by us or our affiliates), the nature of other businesses in proximity to the site and other

commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises.

Within 30 days after our receipt of the completed Site Application (which must include all information and materials regarding a proposed site that we reasonably request), we will advise you in writing whether we have approved or rejected the proposed site, which decision we shall make in our sole discretion.

Once the site has been designated as an approved Site and you have completed due diligence as required in the Manual, we will engage, at your expense, the services of an architect or planner to prepare a Design Development Plan. Upon completion of the Design Development Plan, you shall be responsible for engaging an Approved Architect to develop Plans and Specifications for building permit submittal based on the Design Development Plan and an Approved Branding Vendor to develop a Branding Plan for the exterior of the Franchised Cafe. You shall submit to us your final Plans and Specifications and Branding Plan for our approval (which may be granted or withheld at our discretion) before commencing construction of the Franchised Cafe. All prototype and modified Plans and Specifications and Branding Plans for the Franchised Cafe remain our sole and exclusive property, and you may claim no interest in those modified plans and specifications. You will be responsible for obtaining all necessary design approvals for the Plans and Specifications and Branding Plan, including but not limited to, required approvals from your landlord, the municipality and any third party approving parties.

If you develop multiple Franchised Cafes pursuant to a Development Agreement, you will be required comply with the site selection criteria that we have in place at the time that you submit each site to us.

We may reject a site for a proposed Franchised Cafe if you fail to demonstrate sufficient financial capabilities, in our sole judgment, applying standards consistent with criteria we use to establish Cafes in other comparable market areas, to properly develop, operate and maintain the proposed Franchised Cafe. Accordingly, you must furnish to us those financial statements and other information regarding you (or your affiliates which may sign the Franchise Agreement for that site) and the development and operation of the proposed Franchised Cafe, including, without limitation, investment and financing plans for the proposed Franchised Cafe, as we reasonably may require.

Within 30 days after your Site has been accepted and before you begin construction, you must obtain our approval of and retain the services of a project manager as set forth in the Manual to manage the due diligence, design, bidding and construction processes for your Franchised Cafe. After the date you sign your lease (or close on the purchase of your site), you must promptly begin and use reasonable diligence to complete the permitting, licensing and approval process to ensure that construction of your Franchised Cafe commences and is completed in a timely manner. If permitting and licensing is anticipated to take longer than 60 days, you should advise us in writing of the date on which you anticipate obtaining such permits and licenses and the reasons for the extended time period. Unless you and we mutually agree otherwise, you must begin construction of the Franchised Cafe within 30 days after your receipt of all necessary permits and licenses, provided such permits were promptly requested. You must complete construction of the Franchised Cafe within 150 days after the start of construction, unless we agree otherwise. You may not open your Franchised Cafe for at least 24 days after the date construction is completed so that your employees may be trained in the management and operation of the Franchised Cafe. You must open the Franchised Cafe within 45 days after the date construction is completed and all necessary approvals have been obtained.

Time Between Agreement Signing and Opening

You must acquire your Site and open your Franchised Cafe by the deadlines that you and we agree to in your Franchise Agreement or we will have the right to terminate the Franchise Agreement. We estimate that the time from the signing of your Franchise Agreement to the opening of the Franchised Cafe will be approximately 12 to 18 months. Typically, you must open your Franchised Cafe within 12 months after you acquire rights to the Site. Factors affecting the length of time needed to open the Franchised

Cafe usually include your ability to obtain a lease and adequate financing, weather, local requirements and procedures for necessary permits and zoning, shortages or delayed installation of equipment, signs and fixtures and special circumstances affecting construction in a particular area, none of which are within our control.

If you sign a Development Agreement, you will sign the Franchise Agreement for your second and subsequent Franchised Cafes after a site has been designated as an approved Site, but before you acquire any interest in such approved Site. In such a situation (and in situations where you sign a Franchise Agreement without a Development Agreement when you already have an approved site), we estimate that the time from the signing of your Franchise Agreement to your opening of the Franchised Cafe will be approximately 12 months.

Training

Initial Training Program

If you do not currently operate a Franchised Cafe, within 90 days after you sign your first Franchise Agreement and before any of your employees attend any training program required by us (including the Initial Training Program summarized below) and before you open your first Franchised Cafe, your Controlling Principal must attend, and complete to our satisfaction, the Initial Training Program.

Your Controlling Principal, Operating Partner, Multi-Unit Manager, General Manager and three Managers of the Franchised Cafe (one of whom may be a Shift Supervisor if approved by us) and any other person designated by us (the "Required Trainees"), must attend, and become certified in, our Initial Training Program in the operation of a Cafe. The Initial Training Program will include one or more of the following: classroom instruction, eLearning programs, and training at our designated training facilities, which may be a Company-Owned Cafe that is located in Dallas, Texas or another market. If one of your Franchised Cafes has been certified as a Certified Training Cafe as discussed below, you will conduct the Initial Training Program at your Certified Training Cafe; provided however, that your Controlling Principal, Operating Partner and Multi-Unit Manager must attend the multi-unit orientation/owner orientation portion of the Initial Training Program at our headquarters or such other location that we designate even if you have a Certified Training Cafe.

After the opening of the Franchised Cafe, any employee of yours who assumes any of the positions listed above or the position of Shift Supervisor must, before assuming that position, attend the Initial Training Program and receive our certification for that position. If we provide the Initial Training Program to these additional employees, you must pay to us a training fee at the then-current rate being charged by us to franchisees for that training, and you are solely responsible for all meals, lodging and other living expenses and transportation costs incurred by your employees while attending the training.

The Initial Training Program will generally last up to five weeks for Controlling Principals, up to 15 weeks for Operating Partners and Multi-Unit Managers, up to 11 weeks for General Managers and Managers, and up to 10 weeks for Shift Supervisors. We offer the Initial Training Program during the year on an as-needed basis. The Initial Training Program is scheduled so that it is completed sufficiently in advance of your Franchised Cafe's initial opening to afford adequate time for the Franchised Cafe's set-up and the hiring and training of employees before the opening of the Franchised Cafe. We will authorize the Franchised Cafe to open only after an adequate number of your employees, as determined by us in our sole discretion, have attended and successfully completed the Initial Training Program.

Unless you (or your affiliates) operate at least three Franchised Cafes or you have a Certified Training Cafe, we will bear all expenses for the Initial Training Program (if conducted before the opening of the Franchised Cafe); however, you will be required to pay all meals, lodging, other living expenses and transportation costs incurred by your employees while attending the Initial Training Program. If you operate at least three franchised Cafes or have a Certified Training Cafe, you will bear all expenses for the Initial Training Program and will reimburse us for any expenses we incur.

Our Initial Training Program falls under the direction of Diana Burns, our Senior Director Training & Operations Services, who has 24 years of training experience for Corner Bakery. Our trainers include James Derksen, our Regional Training Manager, who has five years of training experience for Corner Bakery and Lindsey Calhoun, our Regional Training Manager, who has four years of training experience for Corner Bakery and two years of training experience for another concept.

TRAINING PROGRAM

The following chart summarizes the subjects taught and number of required training hours during the Initial Training Program relating to the operation of a Cafe.

Subject	Operating Partner & Multi-Unit Manager (Hours of Classroom / On The Job Training)	Controlling Principal (Hours of Classroom / On The Job Training)	Location
Multi-Unit Orientation & Owner Orientation Program	45 / 0	45 / 0	Our Corporate Headquarters in Dallas, Texas, or other approved regional area
On-Boarding Orientation	8 / 0	8 / 0	Cafe operated by us or our affiliates in Dallas, Texas
Kitchen Skills	0 / 90	0 / 50	Cafe operated by us or our affiliates in Dallas, Texas
Counter & Catering Skills	0 / 150	0 / 50	Cafe operated by us or our affiliates in Dallas, Texas
Manager Skills	0 / 70	0 / 20	Cafe operated by us or our affiliates in Dallas, Texas
Cafe Skills	0 / 100	0 / 20	Cafe operated by us or our affiliates in Dallas, Texas
Advanced Above Store Skills	0 / 120	0 / 0	Cafe operated by us or our affiliates in Dallas, Texas, or other approved regional area
Total	53 / 530	53 / 140	

Subject	Shift Supervisor (Hours of Classroom / On The Job Training)	Manager/General Manager (Hours of Classroom / On The Job Training)	Location
On-Boarding Orientation	8 / 0	8 / 0	Cafe operated by us or our affiliates in Dallas, Texas
Kitchen Skills	0 / 90	0 / 90	Cafe operated by us or our affiliates in Dallas, Texas
Counter & Catering Skills	0 / 150	0 / 150	Cafe operated by us or our affiliates in Dallas, Texas

Subject	Shift Supervisor (Hours of Classroom / On The Job Training)	Manager/General Manager (Hours of Classroom / On The Job Training)	Location
Manager Skills	0 / 50	0 / 70	Cafe operated by us or our affiliates in Dallas, Texas
Cafe Skills	0 / 60	0 / 100	Cafe operated by us or our affiliates in Dallas, Texas
Total	8 / 350	8 / 410	

Certified Training Cafes. If you operate three or more Franchised Cafes, within 90 days after you open your third Franchised Cafe, you must establish and continuously maintain one of your Franchised Cafes as a Cafe at which your trainers will offer the Initial Training Program to your employees and opening training for future Franchised Cafes that you develop (a “Certified Training Cafe”). We must certify a Franchised Cafe as a Certified Training Cafe before you may begin training there. In order for a Franchised Cafe to be certified by us as a Certified Training Cafe, you must meet the requirements and qualifications set forth in the Manual. We may periodically visit your Certified Training Cafe to ensure that it continues to meet our standards. In the event that you do not have a Certified Training Cafe as required, your Required Trainees must attend and successfully complete our Initial Training Program at a training facility designated by us, which may be a Cafe operated by us or our affiliates. You will be required to pay a tuition fee for your employees who attend the training program in addition to paying all salaries, meals, lodging, other living expenses and transportation costs incurred by your employees while attending the training program.

Additional Training. We have the right (which may be exercised at any time and in our sole discretion) to require that your Required Trainees take and successfully complete other in person and e-Learning training courses in addition to the Initial Training Program described above. We may charge a tuition fee for additional training programs and you will be required to pay all meals, lodging, other living expenses and transportation costs incurred by your employees while attending the training. If we make travel arrangements for our personnel to provide any training or other assistance to you at the Franchised Cafe, and you need to delay their arrival or we delay their arrival because the Franchised Cafe does not have a certificate of occupancy, you must reimburse us for any costs and expenses that we incur in changing our travel arrangements.

Pricing. You shall be solely responsible for determining the prices of products offered at your Franchised Cafe; however, you are required to comply with any Marketing Programs that we establish and any maximum or minimum resale pricing restrictions we may implement so long as such pricing does not violate applicable laws.

ITEM 12 TERRITORY

Development Agreement

If you sign a Development Agreement, you will receive a Development Area, which will be mutually agreed upon by us and you, taking into consideration the density of the area and the number of Franchised Cafes that you agree to develop. A description of the Development Area will be attached as an appendix to the Development Agreement. The perimeters of the Development Area may be described by specific street boundaries, county lines, state lines, municipal boundaries, railroad tracks, or other similar boundary descriptions, and the size may range from a portion of a metropolitan area to a county or a state in less densely populated areas.

We have the right during the term of your Development Agreement and within your Development Area to: (1) operate, and license others to operate restaurants identified in whole or in part by the Marks at non-traditional locations and captive market venues; (2) award licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third party's trademark; (3) merchandise and distribute products identified by the Marks through any method or channel of distribution other than through the operation of a restaurant or catering services; (4) sell and distribute products identified by the Marks to restaurants other than restaurants identified by the Marks, provided that those restaurants are not licensed to use the Marks in connection with their retail sales; (5) sell products and services through other channels of distribution, including the Internet, wholesale, mail order and catalog; (6) operate, and license others to operate any type of restaurant other than a restaurant identified in whole or in part by the Marks; (7) develop and own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; and (8) purchase, be purchased by, merge or combine with, businesses that directly compete with Cafes and convert such businesses to the Marks and System, continue to operate such businesses under another name or system, and/or convert Cafes to such other name or system. We and our affiliates have no obligation pay any compensation to you if we exercise these rights.

Except as reserved in the preceding paragraph, we will not, during the term of the Development Agreement, operate, or license others to operate, restaurants identified in whole or in part by the Marks in the Development Area, provided that you are in compliance with the terms of the Development Agreement and any other agreements with us or our affiliates and are current on all obligations to us and our affiliates. The restrictions contained in this paragraph will not apply to Cafes in operation or under lease, construction or other commitment to open in the Development Area as of the effective date of the Development Agreement.

Franchise Agreement

Protected Area. Under the Franchise Agreement, we will grant you the right to continuously operate the Franchised Cafe at the site that we approve (the "Franchised Location"). You do not receive the right under the Franchise Agreement to develop or operate more than one Franchised Cafe. If you comply with the Franchise Agreement, during the term of the Franchise Agreement, we and our affiliates will not operate, or license others to operate, Cafes within an agreed upon area surrounding the Franchised Location ("Protected Area"); however, this restriction will not apply to Cafes in operation or under lease, construction or other commitment to open in the Protected Area as of the effective date of the Franchise Agreement. Typically, the Protected Area will be set as a radius of one quarter of a mile to three miles around the Franchised Location based on demographic and other parameters that are described in the Manual.

We reserve the rights noted above with respect to a Development Agreement in your Protected Area. We and our affiliates have no obligation pay any compensation to you if we exercise these rights.

You may not relocate the Franchised Cafe without our prior written consent. If we approve a relocation of the Franchised Cafe, we may charge you for all reasonable charges actually incurred by us in connection with our consideration of your relocation request and, within six months after you receive our written notice of approval, you must relocate and commence operations of the Franchised Cafe at the new site. We will not extend the term of the Franchise Agreement if you relocate the Franchised Cafe.

If you develop multiple Franchised Cafes pursuant to a Development Agreement, we will determine the Protected Area for each Franchised Cafe pursuant to the criteria that we have in place at the time that you sign the Franchise Agreement for each Cafe.

Catering and Delivery Services. You must participate in the Corner Bakery Cafe Catering Program and provide the catering services designated by us from the Franchised Cafe (the "Catering Services") to customers located within your Protected Area subject to your obligation to follow our procedures and menu requirements, purchase all supplies, products and ingredients through our approved and designated suppliers and otherwise follow the Manual as to the catering services.

We may require or permit you to offer delivery services for regular (non-catering) menu items from the Franchised Cafe using your own delivery personnel or third-party vendors that we designate or approve ("Delivery Services") to customers located within your Protected Area in accordance with the Manual. You may not offer Delivery Services without our prior written approval. We may require you to exclusively use one or more vendors that we designate for such Delivery Services in accordance with the terms of any agreements that we enter into with such vendors (which may require you to pay such vendor a portion of your revenue from such sales).

During the term of the Franchise Agreement, you have the exclusive right to directly solicit catering or delivery customers and provide Catering Services or Delivery Services from the Franchised Cafe only within the Protected Area. You may not directly solicit catering or delivery customers or provide catering or delivery services outside of the Protected Area, unless you obtain our prior written permission. "Direct solicitation" includes, but is not limited to, solicitation in person, by telephone, by mail, by email, and by distribution of brochures, business cards or other materials. If any of your advertising for catering or delivery services within the Protected Area is in media that will or may reach a significant number of persons outside of the Protected Area, you must notify us in advance and obtain our prior written consent. We may establish rules and policies from time to time regarding catering and delivery advertising.

We may, in our sole discretion, grant written permission to you to directly solicit catering or delivery customers and provide Catering Services and/or Delivery Services in a geographic area adjacent to the Protected Area that we have not assigned as a protected area of another Cafe ("Extended Catering and Delivery Area"). Upon receipt of written notice from us, you agree to stop directly soliciting catering customers and/or delivery customers and providing Catering Services and/or Delivery Services in the Extended Catering and Delivery Area and you shall provide us with all customer information that you have acquired relating to that area. You will not have any rights of first refusal to any open area.

If you, or your affiliate, are a party to a Development Agreement with us, during the term of that Agreement, you also will have the exclusive right to directly solicit catering or delivery customers and provide Catering Services or Delivery Services within any portion of your Development Area (as defined in the Development Agreement) that we have not assigned as a protected area of another Cafe. Upon the expiration or earlier termination of the Development Agreement, you will no longer have the right to directly solicit catering or delivery customers or provide Catering Services or Delivery Services within the Development Area and your catering and delivery rights will be restricted to the Protected Area.

* * *

You will not receive an exclusive territory under the Development Agreement or the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

As explained in Item 1, our affiliate, On Smile LLC, offers franchises for Cici's restaurants. Cici's restaurants specialize in pizza and other foods and operate either as dine-in buffet style restaurants or carry-out restaurants. The principal business address of On Smile LLC is the same as ours. Corner Bakery Cafes and Cici's restaurants currently offer significantly different menu items but they do offer some similar goods and they may offer similar goods or services in the future. There may be now or in the future Cici's restaurants located in the same market as current and future Corner Bakery Cafes. These Cici's restaurants could be company-owned, franchised or both. If there is a conflict between you and us caused by a Cici's restaurant or between a Corner Bakery Cafe franchisee and a Cici's restaurant franchisee, our management team will attempt to resolve the conflict after taking into account the specific facts of each situation and what is in the best interests of the affected system or systems. However, we are not responsible for resolving conflicts between or among Corner Bakery Cafe franchisees, or between or among a Corner Bakery Cafe franchisee and a Cici's franchisee.

Except as previously described in Item 1 and this Item 12, neither we nor any of our affiliates have established or presently intends to establish, other franchises or company-operated outlets selling or

leasing similar products or services under a different trade name or trademark; however, we retain the right to do so in the future.

ITEM 13 TRADEMARKS

We grant you the right to operate a Cafe under the name “Corner Bakery Cafe®” and to use our other current or future trademarks in the operation of your Franchised Cafe. By Marks, we mean all words, symbols, insignia, devices, designs, trade names, service marks (or combinations of those words, symbols, insignia, devices, trade names or service marks) designated by us as identifying the System and the products sold and services provided in relation to the System. We represent that we have the right to use, and license others to use, the Marks. We will periodically advise you as to any additions to, or deletions from, the Marks, and your right to use the Marks will be deemed modified by those additions or deletions.

In addition to other registered trademarks, BCIP has registered the following principal Marks with the United States Patent and Trademark Office (“PTO”) on the Principal Register:

Trademark	Registration No.	Registration Date
Corner Bakery Cafe	2597050	July 23, 2002
Corner Bakery Catering	2597054	July 23, 2002
	2741172	July 29, 2003
We've Got Catering Cornered	3054416	January 31, 2006
	4802068	September 1, 2015
	4854752	November 17, 2015
	5390639	January 30, 2018
Corner Bakery	6052460	May 12, 2020

BCIP intends to file all required affidavits and renewal registrations for the Marks listed above.

BCIP has granted us a license to use and sublicense the use of the Marks. Our Trademark and IP License Agreement with BCIP has a perpetual term and can be terminated on 30 days' notice following our breach (resulting in the loss of our right to use and to sublicense the use of the Marks). Your right to use the Marks during the current term of your franchise agreement will not be affected by the termination or expiration of our license. We would not be able to grant additional licenses of the Marks after expiration or termination of our license.

You must follow our rules when you use the Marks. You cannot use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by us or in any corporate, limited liability company or partnership name and cannot use any other trade names, service marks or trademarks in your operation of the Franchised Cafe. You cannot promote, offer, or sell any products or services, or use any of the Marks, as part of your operation of the Franchised Cafe, through other channels of distribution (including the Internet, wholesale, mail order, and catalog) or through Digital Marketing without our prior written consent, which we may withhold for any or no reason.

There are no presently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court concerning the principal Marks. There are no pending infringement, opposition or cancellation proceedings or material litigation involving the principal Marks. There are no agreements currently in effect that significantly limit our right to use or license the use of the Marks in any manner material to you. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal Marks in any state. We are aware that there are companies that have made use of the word "corner" and/or "bakery" in their trade or business names, as used in their common linguistic sense.

You may not directly or indirectly contest the validity, or our ownership, of the Marks. The Franchise Agreement requires you to notify us immediately if any litigation involving the Marks is instituted or threatened against you. You also must fully cooperate in defending or settling the litigation. We will reimburse you for all costs and expenses related to any actions that you take with this regard.

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding challenging your authorized use of any Mark under the Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with the Franchise Agreement, the Manual, and any other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under the Franchise Agreement.

If we should elect to use a principal name other than "Corner Bakery Cafe" to identify the System or elect to add to, delete, or modify any of the Marks, we will notify you of any changes to the name or Marks, and you must cease using any disapproved Marks and begin using the newly approved Marks within a reasonable period of time as determined by us. You will bear the sole cost and expense of making these changes, and we shall have no obligation or liability to you as a result of any such changes.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents or copyrights that are material to your Franchised Cafe or the System. However, we claim copyright protection in the Manual and certain forms, architectural, engineering and construction plans, advertising materials, product specifications, computer programs, newsletters, training materials and operations and accounting materials. We have not registered those materials with the United States Registrar of Copyrights.

The Manual and these other materials contain our detailed standards, specifications, instructions, requirements, methods and procedures for the management and operation of your Franchised Cafe. The

Manual also may relate to the (1) selection, purchase, storage, preparation, packaging, ingredients, recipes, service and sale of all products and beverages sold at the Franchised Cafe; (2) management and employee training; (3) marketing, advertising and sales promotions; (4) maintenance and repair of the Franchised Cafe building, grounds, equipment, graphics, signs, interior and exterior décor items, fixtures and furnishings; (5) employee dress attire and appearance standards; (6) menu concept and graphics; (7) accounting, bookkeeping, records retention and other business systems, procedures and operations; (8) reports and other information useful for financial evaluation and planning; (9) resources, tools, including training materials, marketing resources, reference materials and promotional initiatives; and (10) contact information for Corner Bakery Cafe support centers, vendors, franchisees, and Cafe locations. We may revise the contents of the Manual, and you must comply with each new or changed section.

We may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, or the construction, management, operation, or promotion of the Cafes ("Confidential Information"), including the information in the Manuals. You (1) must not communicate or disclose any Confidential Information to anyone who is not an employee, agent or independent contractor of yours; (2) must not disclose to your employees, agents, or independent contractors parts of the System other than those that such person needs to know; (3) must have a system in place to ensure that your employees, agents and independent contractors keep confidential our trade secrets and Confidential Information, and (4) if requested by us, must obtain from those of your employees designated by us an executed confidentiality agreement in the form prescribed by us. You will be responsible for any unauthorized disclosure of Proprietary Information by any person to whom you have disclosed Confidential Information.

If a prospective franchisee wishes to receive from us certain Confidential Information to evaluate the possibility of entering into a franchise agreement with us to establish and operate one or more Franchised Cafes, we will require the prospective franchisee and those employees of the prospective franchisee who will have access to the Confidential Information to sign a Confidentiality Agreement (a copy of the current form of Confidentiality Agreement is attached as Exhibit F) before granting access to the Confidential Information.

We are not required by any agreement to protect or defend copyrights or Confidential Information, although we intend to do so as appropriate.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Controlling Principal. If you are owned by more than one individual, you must designate one of your owners as your Controlling Principal who will be the person with whom we communicate regarding all financial and operational matters and whom will have the authority to bind you with respect to all financial and operational decisions related to the Franchised Cafe. The Controlling Principal must be a member of your Continuity Group (as defined below) who at all times has at least a 10% equity ownership interest in you (unless you were a publicly-held entity or a wholly-owned subsidiary of a publicly-held entity as of the date of the first franchise-related agreement between you and us). The Controlling Principal must successfully complete the Initial Training Program and any additional training that we require. The Controlling Principal may also serve as the Operating Partner or Multi-Unit Manager. You must designate a replacement within 30 days after your Controlling Principal ceases to qualify as a Controlling Principal. The Controlling Principal must sign a personal guaranty of your obligations under the Franchise Agreement.

Operating Partner. You must designate an individual who has been approved by us to serve as the Operating Partner of your Franchised Cafe. The Operating Partner must have full control over and devote his or her best efforts to supervising the day-to-day operations of the Franchised Cafe and all other Franchised Cafes that you operate, unless you have named and we have approved a Multi-Unit Manager. The Operating Partner may not, without our prior written approval, engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise

may conflict with your obligations under the Franchise Agreement. The Operating Partner must, among other things: (1) must hold a legal or beneficial interest in you of 10% or more (“**Principal(s)**”), unless you were a publicly-held entity or a wholly-owned subsidiary of a publicly-held entity as of the date of the first franchise-related agreement between you and us; (2) have completed our Initial Training Program to our satisfaction; and (3) live within a 100-mile radius of the Franchised Cafe.

Multi-Unit Manager. If you and your affiliates own or control more than three Franchised Cafes, you must designate an individual whom we have approved to serve as the Multi-Unit Manager of up to six Franchised Cafes under the supervision of the Controlling Principal. You must designate additional Multi-Unit Managers for every six Franchised Cafes that you operate. The Multi-Unit Manager must, among other things: (1) devote full time and best efforts to supervising the operation of up to six Franchised Cafes and cannot engage in any other business or activity, directly or indirectly, that requires substantial management responsibility; (2) successfully complete our Initial Training Program and any additional training that we require; and (3) be approved by us.

Cafe Management. For a six-month period following the opening, the Franchised Cafe shall at all times be under the on-site supervision of your Operating Partner, Multi-Unit Manager or General Manager and three Managers (one of whom may be a Shift Supervisor if approved by us) who meet all applicable training qualifications for their designated position or title. Thereafter, the Franchised Cafe shall at all times be under the on-site supervision of your Operating Partner, Multi-Unit Manager or General Manager and two Managers (one of whom may be a Shift Supervisor if approved by us) who meet all applicable training qualifications for their designated position or title.

If at any time you fail to employ at least three managers who have successfully completed our Initial Training Program, we have the right, in our sole discretion, to send our personnel to the Franchised Cafe to manage the operation of the Franchised Cafe until you have hired replacement managers and they have successfully completed our Initial Training Program. Our personnel will have no authority to hire, discipline, or fire any of your employees and such decisions shall be made in your sole discretion. For the first 60 days of their placement with you, you shall pay us the salaries (including the cost of fringe benefits, which equal 20% of their salaries) and all meals, lodging, other living expenses and transportation costs of our management personnel. Thereafter, you shall pay us double the salaries (including the cost of fringe benefits, which equal 20% of their salaries) and all meals, lodging, other living expenses and transportation costs of our management personnel.

Continuity Group. You must designate a group of individuals to serve as your “Continuity Group.” If you are a corporation, the Continuity Group must at all times own at least 66% of your voting securities; if you are a limited liability company, the Continuity Group must at all times own at least 66% of your membership interests; and if you are a partnership, the Continuity Group must at all times have at least a 66% interest in the operating profits and losses and at least a 66% ownership interest in you. As stated above, your Controlling Principal must be a member of your Continuity Group.

Personal Guaranty and Non-Disclosure Agreements. Your Controlling Principal, each member of the Continuity Group, each Principal, and any other individuals we require must sign a personal guaranty assuming and agreeing to discharge all of your obligations to us, unless we, in our sole discretion, waive or modify this requirement. Our current form of personal guaranty is attached to the Franchise Agreement as Appendix C and to the Development Agreement as Appendix B.

If they are not obligated to sign the personal guaranty, we may require your officers, directors, Multi-Unit Managers, managers, Principals’ spouses, and other individuals that we may designate to sign a Non-Disclosure Agreement, the form of which is attached to the Franchise Agreement as Appendix D. We do not impose any other restrictions on your managers.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Franchised Location solely for the operation of a Corner Bakery Cafe, and for no other business or purpose, and must maintain in sufficient supply, and use and/or sell at all times, only those menu items, ingredients, products, materials, supplies and paper goods as conform with our standards and specification and refrain from deviating from those standards by the use or offer of non-conforming items, without our prior written consent. You may only offer for sale or sell products and services at the Franchised Cafe or through Catering Services or Delivery Services in the Protected Area (or the Development Area or an extended area we approve, if applicable; see Item 12). You must operate the Franchised Cafe for those days and hours as we specify in the Manual or otherwise in writing.

You must meet and maintain the highest health standards and ratings applicable to the Franchised Cafe. You must comply with all mandatory specifications, standards and operating procedures (as modified periodically) concerning the operation of the Franchised Cafe as we prescribe in the Manual or otherwise in writing.

You must offer for sale and sell at the Franchised Cafe only those menu items, products and services as have been expressly approved for sale in writing by us; offer for sale and sell all types of menu items, products and services specified by us; refrain from any deviation from our standards and specifications without our prior written consent; and discontinue offering for sale and selling any menu items, products or services that we may, in our discretion, disapprove in writing at any time. We have the right to change the menu items, ingredients, products, materials, supplies and paper goods or the standards and specifications of each, and there are no limits on our ability to do so. You must promptly comply with the new requirements. We also may, in our sole discretion, restrict sales of menu items to certain time periods during the day. We do not limit the customers to whom you may sell goods or services.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

These tables list certain important provisions of the Development Agreement and Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

DEVELOPMENT AGREEMENT		
PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the franchise term	Section 5	The Development Term begins on the date on which we sign the Development Agreement and terminates at the earlier of the date that the last Franchised Cafe is opened or the date that the last Franchised Cafe must be opened according to the Development Schedule.
b. Renewal or extension of the term	Section 5	There is no right to renew or extend the term.
c. Requirements for you to renew or extend	Not Applicable	Not Applicable

DEVELOPMENT AGREEMENT		
PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
d. Termination by you	Not Applicable	Subject to state law, you have the right to terminate the Development Agreement upon any grounds permitted by law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 6	We may terminate upon default.
g. "Cause" defined-curable defaults	Not Applicable	Not Applicable
h. "Cause" defined non-curable defaults	Section 6.1	Non-curable defaults include: failure to comply with the Development Schedule; failure to comply with any other provision of the Development Agreement; or an event of default occurs under a Franchise Agreement which gives us the right to terminate such agreement (even if we do not exercise such right). A default of the Development Agreement is not a default of any Franchise Agreement.
i. Your obligations on termination /non-renewal	Sections 6.2 and 9	Obligations include, but are not limited to: forfeiture of right to develop; termination of limited exclusive rights in Development Area; continued observance of covenants; payment of amounts due to us and our affiliates; and forfeiture of Development Fee.
j. Assignment of contract by us	Section 7	There are no restrictions on our right to assign.
k. "Transfer" by you-defined	Section 7	Includes voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigning or otherwise transferring, giving away, or encumbering your Development Agreement, any rights granted within such agreement, or any controlling equity interest in you.
l. Our approval of transfer by you	Section 7	We have the right to approve transfers.
m. Conditions for our approval of transfer	Section 7	We may withhold or condition our approval for any reason. We may require, in addition to any other conditions that we specify, payment of transfer fee equal to \$7,500 for each Franchised Cafe that remains to be developed.
n. Our right of first refusal to acquire your business	Section 7	We have a right of first refusal to match any offer for your business.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Section 9	You and your Principals may not: own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any business (a) in the casual dining market or fast-casual segment of the restaurant industry that is substantially engaged in the selling of artisan baked breads, salads, sandwiches, soups, baked goods and/or coffee; or (b) whose method of operation or trade dress is similar to that employed in the

DEVELOPMENT AGREEMENT		
PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
		Corner Bakery Cafe System; or (c) that grants franchises or licenses for any of these types of businesses ("Competitive Business"); divert or attempt to divert any business or customer or potential business or customer of a Cafe to any Competitive Business, by direct or indirect inducement or otherwise; perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Franchised Cafe; or sell, assign, lease or transfer a Franchised Location to a Competitive Business.
r. Non-competition covenants after the franchise is terminated or expires	Section 9	You and your Principals for two years after expiration or termination may not (a) directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within the Development Area and within 10 miles of any Cafe that is operating or under development at the time of such expiration, termination, or Transfer; or (b) sell, assign, lease or transfer the Franchised Location to any person or Entity that you know, or have reason to know, intends to operate a Competitive Business at the Franchised Location.
s. Modification of the agreement	Section 12	No modification generally without agreement signed by both parties.
t. Integration/ merger clause	Section 12	Only the terms of the Development Agreement, the Manual the documents referred to in, and the attachments to, the Development Agreement are binding. Nothing in the Development Agreement or any related agreement is intended to disclaim the express representations made in this disclosure document and its exhibits.
u. Dispute resolution by arbitration or mediation	Section 10	Subject to state law, either party may submit a claim arising out of the Development Agreement to non-binding mediation; however, the parties will not be required to pursue mediation of any claim as a prerequisite to commencing legal proceedings.
v. Choice of forum	Section 10	Subject to state law, you and we can only file suit where our principal offices are located at the time the suit is filed (currently, Texas).
w. Choice of law	Section 10	Subject to state law, Texas law applies.

FRANCHISE AGREEMENT		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 2.1	20 years from the date the Franchised Cafe opens.

FRANCHISE AGREEMENT		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
b. Renewal or extension of the term	Section 2.2	If you meet the criteria set forth in provision c. below, you will have the option to remain a franchisee at the Franchised Location for two renewal terms of 10 years each.
c. Requirements for you to renew or extend	Section 2.2	In order to remain a franchisee for the first renewal term, you must: pay the renewal fee; provide notice of renewal not less than six months nor more than 12 months prior to the end of the initial term; remodel the Franchised Cafe as required by the Manual; not be in default under any agreement with us or our affiliates, any real estate lease, equipment lease or financing instrument involving the Franchised Cafe and any agreement with any vendor or supplier to the Franchised Cafe; for the 12 months before your notice, you must not have been in default beyond the applicable period to in which to cure the default under any agreements with us or our affiliates; have the right to remain in possession of the Franchised Location for the renewal term; sign general release (a copy of the current form of General Release is attached as Exhibit E); and comply with training requirements. You also must sign our then-current form of Renewal Franchise Agreement, which may contain terms and conditions substantially different from your original Franchise Agreement, including, without limitation, those relating to royalty fees and advertising obligations.
d. Termination by you	Not Applicable	Subject to state law, you have the right to terminate the Franchise Agreement upon any grounds permitted by law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 18.3	We may terminate upon default.
g. "Cause" defined-curable defaults	Section 18.2.19 and 18.2.20	You have 10 days to cure monetary defaults. You have 30 days to cure all other defaults except those discussed in provision h.
h. "Cause" defined non-curable defaults	Sections 18.2	Non-curable defaults include: failure to meet the site acquisition deadline or opening deadline that you agreed to in your Franchise Agreement; cease to operate the Franchised Cafe for more than three consecutive days; insolvency; bankruptcy; execution levied against your business or property; foreclosure; unsatisfied judgment of more than \$25,000 for more than 30 days; material breach of covenants; transfer without approval; material misrepresentation; falsification of reports; imminent danger to public health or safety; loss of possession of Franchised Location; felony conviction or crime or offense that may have an adverse effect; breach of representation or warranty; unauthorized use of the Marks; failure or refusal to have the required number of employees attend and successfully complete required training programs; default beyond cure period under other agreements with BCF or our affiliates (however, a default of a Development Agreement will not be a default of your

FRANCHISE AGREEMENT		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		Franchise Agreement), contract with any vendor or supplier to the Franchised Cafe or any lease or financing instrument involving the Franchised Cafe; two consecutive failed inspections; three late reports in any 12-month period; failure to pay when due any taxes or assessments involving the Franchised Cafe or its employees; property blocked under any law regarding terrorist activities; and default after receipt of two or more notices of default within previous 12 months.
i. Your obligations on termination/nonrenewal	Sections 18.4 and 19	Obligations include, but are not limited to: cease to operate the Franchised Cafe; cease use of the System, the Marks, the Manual and the Confidential Information; complete de-identification (if we do not exercise our option to purchase); return all items we specify; cancel any assumed name or equivalent registration that contains the Marks and provide evidence of compliance; cancel or transfer to us all electronic identifiers, domain names, web pages, telephone numbers, post office boxes, and other directory listings to us; comply with noncompete; promote a separate identity; and payment of all amounts due. If you default on your obligations and we terminate the Franchise Agreement, you must pay to us an amount equal to the average Royalty fees, National Marketing Fund contributions, Regional Marketing Fund contributions and Brand Development Fees that you owed for the one-year period prior to termination (or, if the Franchised Cafe was open less than a year, the average of the fees owed for the number of Reporting Periods that the Franchised Cafe has been in operation) multiplied by the lesser of four years or the number of years (including any partial year) remaining in the Initial Term of the Franchise Agreement.
j. Assignment of contract by us	Section 14	There are no restrictions on our right to assign.
k. "Transfer" by you-defined	Section 15.1	Includes sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any interest in you, your Principals, the Franchise Agreement, the Franchise, substantially all of the assets of the Franchised Cafe, the Franchised Location or any other asset pertaining to your operations under the Franchise Agreement.
l. Our approval of transfer by you	Sections 15.2 and 15.5	We have the right to approve transfers. Certain transfers may be undertaken without our prior approval.
m. Conditions for our approval of transfer	Sections 15.2, 15.3 and 15.6	Conditions include, but are not limited to: compliance with Franchise Agreement and all other agreements with us and our affiliates; payment of amounts due; qualified transferee; completion of any specified training programs; signed release (a copy of the current form of General Release is attached as Exhibit E); reasonable debt service; transferee must obtain a leasehold or ownership interest in the Franchised Cafe; if applicable, subordination of all of transferee's obligations to you and any security interests reserved by you in the assets

FRANCHISE AGREEMENT		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		transferred to transferee's obligations to pay all amounts due to us and our affiliates and comply with the Franchise Agreement or any other Franchise Agreement signed by transferee; execution of non-competition covenant and any other documents that we require; payment of transfer fee; and execution of personal guaranty under the terms of which your Principals will remain liable for all obligations to us incurred before the transfer date and for one year following the transfer.
n. Our right of first refusal to acquire your business	Section 15.9	We or our designee can match any offer for your business.
o. Our option to purchase your business	Section 20	Upon expiration or earlier termination of the Franchise Agreement, we have the option to purchase from you the Cafe building shell, including any or all of the furnishings, fixtures, equipment, signage, supplies or inventory used in your operation of the Franchised Cafe, excluding any liabilities involving you and/or the Franchised Cafe at a price agreed upon or set by an appraiser.
p. Your death or disability	Section 15.5.1.2	Following death or permanent incapacity of any of your Principals or your Operating Partner, transfer to spouse, children, parents, sibling or a member of your Continuity Group is allowed. The transfer must be completed within a reasonable time, not to exceed six months from the date of death or permanent disability.
q. Non-competition covenants during the term of the franchise	Section 17.2.2	You and your Principals may not: (a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any business (i) in the casual dining market or fast-casual segment of the restaurant industry that is substantially engaged in the selling of artisan baked breads, salads, sandwiches, soups, baked goods and/or coffee; or (ii) whose method of operation or trade dress is similar to that employed in the Corner Bakery Cafe System; or (iii) that grants franchises or licenses for any of these types of businesses ("Competitive Business"); (b) divert or attempt to divert any business or customer or potential business or customer of a Cafe to any Competitive Business, by direct or indirect inducement or otherwise; (c) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; (d) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Franchised Cafe; or (e) sell, assign, lease or transfer a Franchised Location to a Competitive Business.

FRANCHISE AGREEMENT		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Section 17.2.3	You and your Principals for two years after expiration or termination may not (a) directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within the Protected Area and within 10 miles of any Cafe that is operating or under development at the time of such expiration, termination, or Transfer; or (b) sell, assign, lease or transfer the Franchised Location to any person or Entity that you know, or have reason to know, intends to operate a Competitive Business at the Franchised Location.
s. Modification of the agreement	Section 8.1 and 26	No modification generally without signed agreement, but we may modify the System and the Manual.
t. Integration/ merger clause	Section 26	Only the terms of the Franchise Agreement, the Manual, the documents referred to in and the attachments to the Franchise Agreement are binding. Nothing in the Development Agreement or any related agreement is intended to disclaim the express representations made in this disclosure document and its exhibits.
u. Dispute resolution by arbitration or mediation	Section 27.1	Subject to state law, either party may submit a claim arising out of the Franchise Agreement to non-binding mediation; however, the parties will not be required to pursue mediation of any claim as a prerequisite to commencing legal proceedings.
v. Choice of forum	Section 27.3	Subject to state law, you and we can only file suit where our principal offices are located at the time suit is filed (currently, Texas).
w. Choice of law	Section 27.2	Subject to state law, Texas law applies.

ITEM 18 PUBLIC FIGURES

We currently do not use any public figure to promote the sale of our franchises.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or

representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Erin Hasselgren, Chief Operating Officer, Best Cafe - Franchises, LLC, 13355 Noel Road, Suite 1645, Dallas, Texas 75240 or (972) 644-9494, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1
Systemwide Outlet Summary
For years 2023 to 2025**

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2023	39	37	-2
	2024	37	32	-5
	2025	32	30	-2
Company-Owned	2023	97	67	-30
	2024	67	67	0
	2025	67	62	-5
Total Outlets	2023	136	104	-32
	2024	104	99	-5
	2025	99	92	-7

**Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2023 to 2025**

State	Year	Number of Transfers
All States	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

**Table No. 3
Status of Franchised Outlets
For years 2023 to 2025**

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
CA	2023	8	0	0	0	0	2	6
	2024	6	0	0	0	1	1	4
	2025	4	0	0	0	0	0	4

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
CO	2023	5	0	0	0	0	1	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
FL	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
KS	2023	1	0	0	0	0	1	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
KY	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	1	0	0
	2025	0	0	0	0	0	0	0
NM	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
NV	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
OK	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
OR	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
TN	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	1	0	0
	2025	0	0	0	0	0	0	0
TX	2023	12	0	0	0	0	0	12
	2024	12	0	0	0	0	0	12
	2025	12	1	0	0	0	2	11
UT	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	1	3
VA	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	2025	1	0	0	0	0	0	1
WA	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
WI	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Total	2023	42	0	0	0	0	5	37
	2024	37	0	0	0	3	2	32
	2025	32	1	0	0	0	3	30

Table No. 4
Status of Company-Owned Cafes
For years 2023 to 2025

State	Year	Cafes at Start of Year	Cafes Opened	Cafes Reacquired from Franchisees	Cafes Closed	Cafes Sold to Franchisees	Cafes at End of Year
CA	2023	35	1	0	9	0	27
	2024	27	0	1	1	0	27
	2025	27	0	0	3	0	24
DC	2023	2	0	0	1	0	1
	2024	1	1	0	0	0	2
	2025	2	0	0	0	0	2
FL	2023	1	0	0	1	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
GA	2023	3	0	0	0	0	3
	2024	3	0	0	1	0	2
	2025	2	0	0	0	0	2
IL	2023	21	0	0	8	0	13
	2024	13	1	0	0	0	14
	2025	14	1	0	2	0	13
KY	2023	0	0	0	0	0	0
	2024	0	0	1	0	0	1
	2025	1	0	0	0	0	1
MD	2023	5	0	0	3	0	2

State	Year	Cafes at Start of Year	Cafes Opened	Cafes Reacquired from Franchisees	Cafes Closed	Cafes Sold to Franchisees	Cafes at End of Year
	2024	2	0	0	1	0	1
	2025	1	0	0	0	0	1
NJ	2023	1	0	0	1	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
PA	2023	4	0	0	1	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	0	0	3
TN	2023	0	0	0	0	0	0
	2024	0	0	1	0	0	1
	2025	1	0	0	0	0	1
TX	2023	21	0	0	4	0	17
	2024	17	0	0	2	0	15
	2025	15	0	0	1	0	14
VA	2023	3	0	0	2	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Total	2023	96	1	0	30	0	67
	2024	67	2	3	5	0	67
	2025	67	1	0	6	0	62

Table No. 5
Projected Openings As Of December 31, 2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected Company-Owned Outlets In The Next Fiscal Year
TX	0	0	1
Totals	0	0	1

* * * * *

Set forth on Exhibit G are (i) the names of all current franchisees and the address and telephone number of each of their Franchised Cafes, and (ii) the names, city and state, and the current business telephone number, or, if unknown, the last known home telephone number of every franchisee who had a Franchised Cafe terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under any Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of this Disclosure Document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During our last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the System and no independent franchisee organizations have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Exhibit H contains our audited financial statements as of December 31, 2025, December 31, 2024, and for the period from May 9, 2023 to December 31, 2023 and unaudited financial statements for the period ended February 28, 2026. We have not been in business for three years or more and cannot include all financial statements required under the Federal Trade Commission's Franchise Rule (16 CFR §436.5). Our fiscal year end ends on December 31.

ITEM 22 CONTRACTS

The following agreements related to a Franchised Cafe are attached as exhibits to this Disclosure Document:

Exhibit C Franchise Agreement

Appendix C to Franchise Agreement	Personal Guaranty
Appendix D to Franchise Agreement	Non-Disclosure Agreement
Appendix E to Franchise Agreement	Form of Addendum to Lease
Appendix F to Franchise Agreement	Gift Card Participation Agreement

Exhibit D Area Development Agreement

Appendix B to Area Development Agreement	Personal Guaranty
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Exhibit E General Release

Exhibit F Confidentiality Agreement

We also require that you fill out our Disclosure Questionnaire before signing any Development Agreement or Franchise Agreement. The current form of Franchisee Disclosure Questionnaire is attached as Exhibit K.

ITEM 23 RECEIPTS

The last two pages of this Disclosure Document are detachable receipt pages. Please sign and date each of them as of the date you received this Disclosure Document and return one copy to us.

EXHIBIT A

LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677 Email: ASK.DFPI@dfpi.ca.gov Website: http://www.dfpi.ca.gov	NEW YORK NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl New York, NY 10005 (212) 416-8222
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505-0510 (701) 328-2910
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62701 (217) 782-4465	RHODE ISLAND Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Securities Regulation 124 South Euclid Avenue, 2 nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 5 th Floor Lansing, Michigan 48913 (517) 335-7567	WASHINGTON Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504-1200 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT B
AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677 Email: ASK.DFPI@dfpi.ca.gov Website: http://www.dfpi.ca.gov	NEW YORK New York Secretary of State One Commerce Plaza 99 Washington Avenue Albany, NY 12231 (518) 473-2492
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Insurance Commissioner North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505-0510 (701) 328-2910
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62701 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2 nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 5 th Floor Lansing, Michigan 48913 (517) 335-7567	WASHINGTON Director of Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT C
FRANCHISE AGREEMENT

**CORNER BAKERY CAFE
FRANCHISE AGREEMENT**

Franchisee

Effective Date

Franchised Location

**CORNER BAKERY CAFE FRANCHISE AGREEMENT
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APPENDIX A – FRANCHISE INFORMATION

APPENDIX B – OWNERSHIP INTERESTS

APPENDIX C – PERSONAL GUARANTY AND ASSUMPTION OF FRANCHISEE’S OBLIGATIONS

APPENDIX D – FORM OF NON-DISCLOSURE AGREEMENT

APPENDIX E – FORM OF ADDENDUM TO LEASE

APPENDIX F – STORED VALUE GIFT CARD PROGRAM FRANCHISEE PARTICIPATION AGREEMENT

RIDER 1 – EXPIRATION OF FRANCHISE AGREEMENT

CORNER BAKERY CAFE FRANCHISE AGREEMENT

This Franchise Agreement (this “**Agreement**”) is made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between Best Cafe - Franchises, LLC, a Delaware limited liability company with its principal place of business at 13355 Noel Road, Suite 1645, Dallas, Texas 75240 (“**BCF**,” “**we**” or “**us**”), and the person or entity identified on Appendix A as the Franchisee with its principal place of business as set forth on Appendix A (“**Franchisee**,” “**you**,” or “**your**”).

RECITALS

A. We, as the result of the expenditure of time, skill, effort and money, have developed and own a distinctive system (“**System**”) relating to the establishment and operation of bakery café style restaurants that operate under the name Corner Bakery Cafe (“**Cafes**”). The distinguishing characteristics of the System include, without limitation: uniform and distinctive exterior and interior design and layout, including specially designed décor and furnishings; proprietary recipes and menu items; procedures and techniques for food and beverage preparation and service; automated management information and control systems for inventory controls, cash controls and sales analysis; technical assistance and training through course instruction and manuals; and advertising and promotional programs. We may change, improve and further develop the System from time to time.

B. We identify the System by means of the “Corner Bakery Cafe®” name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively, “**Marks**”) that we have designated, or may in the future designate, for use with the System. We and/or our affiliates may modify the Marks used to identify the System, including the principal Marks, from time to time. We continue to develop and use (and control the use of) the Marks in order to identify to the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality, appearance and service.

C. You would like the opportunity, subject to the terms and conditions of this Agreement, to obtain a license to use the System in connection with the operation of a franchised Cafe (the “**Franchised Cafe**”) at the location specified in Appendix A (the “**Franchised Location**”) and to receive training and other assistance provided by us in connection with your development and operation of the Franchised Cafe.

D. You understand and acknowledge the importance of our high and uniform standards of quality, operations and service and the necessity of developing and operating the Franchised Cafe in strict conformity with this Agreement and the Corner Bakery Cafe Operations Manual (the “**Manual**”).

E. We are willing to grant a license to you to operate the Franchised Cafe at the Franchised Location, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of our grant to you of the right to operate a Franchised Cafe at the Franchised Location during the term of this Agreement, as well as the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1 GRANT OF RIGHTS

1.1 Grant.

1.1.1 Subject to the terms and conditions of this Agreement, we hereby grant you the right to develop and continuously operate the Franchised Cafe at the Franchised Location and to use the Marks and the System in the operation of the Franchised Cafe during the term of this Agreement (the “**Franchise**”).

1.1.2 You accept the obligation to continuously operate the Franchised Cafe at the Franchised Location for the term of this Agreement, and you may not operate any other business from the Franchised Location. You may not operate the Franchised Cafe at any location other than the Franchised Location and may not relocate the Franchised Cafe without our prior written consent, in accordance with Section 3.11 (Relocation).

1.1.3 You agree, at all times, to faithfully, honestly and diligently perform your obligations under this Agreement, that you will continuously exert your best efforts to promote and enhance the business of the Franchised Cafe and that you will not engage in any other business or activity that may conflict with your obligations under this Agreement, except the operation of other Cafes or other restaurants that are franchised by us or our affiliates.

1.2 Protected Area and Reserved Rights.

1.2.1 Protected Area. Except as reserved in Section 1.2.2 (Reserved Rights), provided you are not in material uncured default of this Agreement, during the term of this Agreement, we and our affiliates will not operate, or license others to operate, Cafes within the geographic area described on Appendix A (the “**Protected Area**”). The restrictions contained in this Section 1.2.1 do not apply to Cafes in operation or under lease, construction or other commitment to open in the Protected Area as of the Effective Date of which we have provided you with prior written notice.

1.2.2 Reserved Rights. Except as expressly provided in Section 1.2.1 (Protected Area) or any other agreement between the parties, we and our affiliates retain the right, in our sole and absolute discretion, to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Cafes. For example, we and our affiliates reserve the right to: **(a)** operate, and license others to operate, restaurants identified in whole or in part by the Marks and/or utilizing the System in the Protected Area that are located in gas stations or convenience stores, transportation facilities (including airports, train stations, subways and rail and bus stations), military bases and government offices, sports facilities (including stadiums and arenas), amusement parks, zoos, convention centers, car and truck rest stops, travel centers, educational facilities, recreational theme parks, hospitals, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos and any similar captive market location; **(b)** award national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third party’s trademark; **(c)** merchandise and distribute products identified by the Marks in the Protected Area through any method or channel of distribution other than through the operation of a restaurant or catering services; **(d)** sell and distribute products identified by the Marks in the Protected Area to restaurants other than restaurants identified by the Marks, provided that those restaurants are not licensed to use the Marks in connection with their retail sales; **(e)** sell products and services through other channels of distribution, including the Internet, wholesale, mail order and catalog; **(f)** operate, and license others to operate, during the term of this Agreement, restaurants identified in whole or in part by the Marks at any location outside of the Protected Area; **(g)** operate, and license others to operate, after this Agreement terminates or expires, restaurants identified in whole or in part by the Marks at any location, including locations inside the Protected Area; **(h)** operate, and license others to operate, at any location, including locations inside the Protected Area, during or after the term of this Agreement, any type of restaurant other than a restaurant identified in whole or in part by the Marks; **(i)** develop and own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; **(j)** purchase, be purchased by, or merge or combine with businesses that directly compete with Cafes and continue to operate such businesses under another name or system; and **(k)** engage in any other activity, action or undertaking that we are not expressly prohibited from taking under this Agreement.

1.3 Catering and Delivery Services.

1.3.1 Catering Services. You must participate in the Corner Bakery Cafe Catering Program and provide the catering services designated by us from the Franchised Cafe (the “**Catering Services**”) to customers located within your Protected Area subject to your obligation to follow our

procedures and menu requirements, purchase all supplies, products and ingredients through our approved and designated suppliers and otherwise follow the Manual as to the catering services. You must pay our online ordering fee (catering and counter) as specified in the Manual from time to time to participate in our online ordering system. You will need to purchase catering equipment, including a properly insured vehicle, as specified in the Manual before you open your Franchised Cafe.

1.3.2 Delivery Services. We may require or permit you to offer delivery services for standard (non-catering) menu items from the Franchised Cafe using your own licensed and insured delivery personnel or third-party vendors that we designate or approve (“**Delivery Services**”) to customers located within your Protected Area in accordance with the Manual. You may not offer Delivery Services without our prior written approval. We may require you to exclusively use one or more vendors that we designate for such Delivery Services in accordance with the terms of any agreements that we enter into with such vendors (which may require you to pay such vendor a portion of your revenue from such sales).

1.3.3 Solicitation of Customers. During the term of this Agreement, you have the exclusive right to directly solicit catering or delivery customers and provide Catering Services or Delivery Services from the Franchised Cafe only within the Protected Area. You may not directly solicit catering or delivery customers or provide catering or delivery services outside of the Protected Area, unless you obtain our prior written permission. “Direct solicitation” includes, but is not limited to, solicitation in person, by telephone, by mail, by e-mail, through the Internet or other electronic means, and by distribution of brochures, business cards or other materials. If any of your advertising for catering or delivery services within the Protected Area is in media that will or may reach a significant number of persons outside of the Protected Area, you must notify us in advance and obtain our prior written consent. We may establish rules and policies from time to time regarding catering and delivery advertising.

1.3.4 Extended Catering and Delivery Area. We may, in our sole discretion, grant written permission to you to directly solicit catering and/or delivery customers and provide Catering Services and/or Delivery Services in a geographic area adjacent to the Protected Area that we have not assigned as a protected area of another Cafe (“**Extended Catering and Delivery Area**”). Upon receipt of written notice from us, you agree to stop directly soliciting catering customers and/or delivery customers and providing Catering Services and/or Delivery Services in the Extended Catering and Delivery Area and you shall provide us with all customer information that you have acquired relating to that area. You will not have any rights of first refusal to any open area.

1.3.5 Catering and Delivery in Development Area. If you, or your affiliate, are a party to a Development Agreement with us, during the term of that Agreement, you also will have the exclusive right to directly solicit catering or delivery customers and provide Catering Services or Delivery Services within any portion of your Development Area (as defined in the Development Agreement) that we have not assigned as a protected area of another Cafe. Upon the expiration or earlier termination of the Development Agreement, you will no longer have the right to directly solicit catering or delivery customers or provide Catering Services or Delivery Services within the Development Area and your catering and delivery rights will be restricted to the Protected Area.

2 TERM

2.1 Initial Term.

2.1.1 The initial term of this Agreement (the “**Initial Term**”) shall begin on the Effective Date and shall expire at midnight on the day preceding the 20th anniversary of the date the Franchised Cafe first opened for business, unless this Agreement is terminated at an earlier date pursuant to Section 18 (Default and Termination). We shall complete and forward to you a notice, in a form substantially similar to attached Rider 1, to memorialize the date the Franchised Cafe first opened for business.

2.1.2 Notwithstanding the foregoing, if, during the Initial Term, you, through no act or failure to act on your part (except the failure to extend the lease for the Franchised Location through the Initial Term), lose the right to possession of the Franchised Location, the Initial Term shall expire as of the

date of the loss of the right to possession. However, if the right to possession is lost through no act or failure to act on your part, you may relocate the Franchised Cafe (without paying any additional initial franchise fee or transfer fee) at your expense, and the Initial Term shall not expire if: (a) we accept the new location; (b) you construct and equip a Cafe at the new location in accordance with our then-current System standards and specifications; (c) a Cafe at the new location is open to the public for business within six months after the loss of possession of the Franchised Location; and (d) you reimburse us for all reasonable expenses actually incurred by us in connection with our consideration of the relocation request and evaluation of the new location.

2.2 Renewal. Upon the expiration of the Initial Term, if you meet certain conditions, you will have the option to request the right to remain a franchisee at the Franchised Location for two ten-year renewal terms (each a **“Renewal Term”**). You must pay a renewal fee equal to 50% of our then-current standard initial franchise fee for a Franchised Cafe (the **“Renewal Fee”**) when you sign the Franchise Agreement for each Renewal Term. If you desire to remain a franchisee for the first Renewal Term, you must comply with all of the conditions set forth in Section 2.2.1 below prior to, and at the end of, the Initial Term. The renewal conditions for the second Renewal Term shall be set forth in the Renewal Franchise Agreement that you sign for the first Renewal Term in accordance with Section 2.2.8.

2.2.1 You must give us written notice of your election to sign a Renewal Franchise Agreement (the **“Renewal Notice”**) not less than six months nor more than 12 months prior to the end of the Initial Term. The date you provide such notice shall be defined as the **“Renewal Notice Date.”** Time is of the essence regarding the Renewal Notice Date. Your failure to provide us the required notice in a timely manner constitutes a waiver by you of your option to remain a franchisee beyond the expiration of the Initial Term. The Renewal Term shall commence upon the expiration of this Agreement.

2.2.2 You must enter into an agreement with us whereby you agree, within a specified time period (not to exceed one year from the signing of the Renewal Franchise Agreement), to remodel the Franchised Cafe, add or replace improvements, furniture, fixtures, equipment and signage and otherwise modify the Franchised Cafe to reflect the then-current standards and image of the System as required by the Manual.

2.2.3 As of the Renewal Notice Date and as of the expiration of this Agreement, you must not: **(a)** be in default beyond the applicable cure period, if any, of this Agreement or any other agreements with BCF or our affiliates; **(b)** be in default beyond the applicable cure period, if any, of any real estate lease, equipment lease or financing instrument relating to the Franchised Cafe or any agreement with any vendor or supplier to the Franchised Cafe other than defaults that are immaterial in that they do not adversely affect your ability to operate the Franchised Cafe; and **(c)** for the 12 months prior to Renewal Notice Date, you must not have been in default beyond the applicable cure period under this Agreement or any other agreements with BCF or our affiliates.

2.2.4 You shall present satisfactory evidence to us that you have the right to remain in possession of the Franchised Location for the Renewal Term.

2.2.5 You, all owners of a legal or beneficial interest in you (**“Principal(s)”**), and all guarantors of your obligations, shall have executed a general release and a covenant not to sue, in a form satisfactory to us, covering any and all claims against us and our affiliates and our respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under any applicable federal, state or local laws, codes or regulations (**“Applicable Laws”**), and claims arising out of, or relating to, this Agreement, any other agreement(s) between you and us or our affiliates, and your operation of the Franchised Cafe and other franchised Cafes operated by you.

2.2.6 You shall comply with our then-current qualification and training requirements.

2.2.7 Within 60 days after our receipt of your Renewal Notice, we will advise you whether or not you are entitled to remain a franchisee for the Renewal Term. If we intend to permit you to remain a

franchisee for the Renewal Term, our notice will contain preliminary information regarding actions you must take to satisfy our remodeling and training requirements. Your right to remain a franchisee for the Renewal Term is subject to your full compliance with all of the terms and conditions of this Agreement through the expiration of the Initial Term, in addition to your compliance with the obligations described in our notice. If we do not intend to permit you to remain a franchisee for the Renewal Term, our notice will specify the reasons for rejecting your request, and we will have the right to extend unilaterally the Initial Term of this Agreement as necessary to comply with any Applicable Laws.

2.2.8 If you exercise your right to remain a franchisee for the first Renewal Term, we will forward to you a Renewal Franchise Agreement for your signature at least 30 days prior to the expiration of the Initial Term. The form of Renewal Franchise Agreement will be the form then in general use by us for Cafes (modified as necessary to reflect the fact that it is a Renewal Franchise Agreement) or, if we are not then granting Franchises for Cafes, that form of agreement as specified by us. The form of Renewal Franchise Agreement will likely differ from this Agreement, including, but not limited to, provisions relating to the royalty fees and advertising obligations. You and your Principals also must sign any personal guarantees and ancillary agreements required by the Renewal Franchise Agreement. Your failure to sign the Renewal Franchise Agreement and return it to us prior to the expiration of the Initial Term will be deemed an election by you not to exercise your right to remain a franchisee for the any Renewal Term and will result in the expiration of this Agreement and the Franchise granted by this Agreement at the end of the Initial Term. Provided you have timely complied with all of the conditions set forth in this Section 2.2, we will sign the Renewal Franchise Agreement and promptly return a fully executed original to you.

3 DEVELOPMENT OF THE FRANCHISED CAFE

3.1 Your Responsibility. You must develop and open the Franchised Cafe before the Opening Deadline specified in Appendix A (the “**Opening Deadline**”). You assume all cost, liability, expense, and responsibility for constructing, equipping and operating the Franchised Cafe in accordance with our standards at the Franchised Location. If the Franchised Location has not been designated as of the Effective Date, then you must: **(a)** follow the site selection procedures set forth in Section 3.2 (Site Selection); **(b)** obtain our acceptance of the site (as described in Section 3.2 (Site Selection)), and **(c)** acquire a Possessory Interest in the site that we have accepted (the “**Accepted Site**”) before the Site Acquisition Deadline specified in Appendix A (the “**Site Acquisition Deadline**”). A “**Possessory Interest**” is **(i)** a leasehold interest in the Accepted Site obtained by fully executing a lease or sublease (a “**Lease**”) that we have approved or **(ii)** fee simple ownership of the Accepted Site obtained by a deed for the Accepted Site and causing such deed to be recorded. Any failure by you to meet the Site Acquisition Deadline or the Opening Deadline shall be a material default of this Agreement for which we can terminate this Agreement without providing you an opportunity to cure the default. **TIME IS OF THE ESSENCE.**

3.2 Site Selection.

3.2.1 Site Selection Process. You must follow the site selection and site acceptance processes and standards set forth in the Manual. You may not make any binding commitments to acquire any interest in any site for the Franchised Cafe until we have accepted that site in writing. We may provide the following site selection assistance: **(a)** our site selection criteria and, as you may request, a reasonable amount of consultation with respect thereto; and **(b)** such on-site evaluation as we may deem advisable as part of our evaluation of your request for acceptance of a site.

3.2.2 Site Application. You must submit a site application to us that contains the information that we reasonably require for each proposed site that you reasonably believe conforms to our site selection criteria (a “**Site Application**”). Each Site Application shall include, among other things, a description of the proposed site, a market feasibility study for the proposed site, a letter of intent (or other written confirmation demonstrating your ability to acquire the proposed site) and a summary of how the site meets our site selection criteria. Periodically, we may change our site selection criteria, which may include demographic characteristics, traffic count and patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses (including restaurants operated or franchised by us or our affiliates), the nature of other businesses in proximity to the site and other

commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics and a site plan of the premises.

3.2.3 Site Acceptance. Within 30 days after our receipt of the completed Site Application (which shall include all information and materials relating to a proposed site that we reasonably request), we will advise you in writing whether we have accepted or rejected the proposed site. If we do not respond within that time period, we will be deemed to have rejected the proposed site. Our acceptance or rejection of a proposed site may be subject to reasonable conditions as determined in our sole discretion. If we accept the site in writing, such site shall be considered the **“Accepted Site.”**

3.2.4 Financial Capabilities. You acknowledge that, in order to preserve and enhance the reputation and goodwill of all Cafes and the goodwill of the Marks, each Cafe must be properly developed, operated and maintained. Accordingly, you agree that we may refuse to accept a site for a proposed Franchised Cafe unless you demonstrate sufficient financial capabilities, in our sole judgment, applying standards consistent with criteria we use to establish Cafes in other comparable market areas, to develop, operate and maintain the proposed Franchised Cafe properly. To this end, you shall furnish to us such financial statements and other information regarding you and the development and operation of the Franchised Cafe, including, without limitation, investment and financing plans for the Franchised Cafe, as we reasonably may require.

3.2.5 No Warranty or Representation. You agree that our acceptance of a site for the Franchised Cafe and any information communicated to you regarding our site selection criteria for Cafes does not constitute a warranty or representation of any kind, express or implied, as to the suitability of any site for the Franchised Cafe or for any other purpose. Our acceptance of a site is not a representation or a promise by us that the Franchised Cafe at the site will achieve a certain sales volume or a certain level of profitability. Similarly, our acceptance of one or more sites and our rejection of other sites is not a representation or a promise that the Accepted Site will have a higher sales volume or be more profitable than a site that we did not accept. Because real estate development is an art, and not a precise science, you agree that our acceptance, or our rejection of a proposed site, whether or not a Site Application is completed and/or submitted to us shall not impose any liability or obligation on us. The decision to accept or reject a particular site is yours, subject to our acceptance. Preliminary acceptance of a proposed site by any of our representatives is not conclusive or binding, because his or her recommendation may be rejected by us.

3.2.6 Independent Investigation. You agree that your decision to develop and operate the Franchised Cafe at an Accepted Site is based solely on your own independent investigation of the suitability of that site for a Franchised Cafe. We assume no liability or responsibility for: **(a)** the evaluation of the soil of the site for hazardous substances; **(b)** the inspection of any structure at the site for asbestos or other toxic or hazardous materials; **(c)** your or the Franchised Cafe's compliance with the Americans with Disabilities Act (**“ADA”**); or **(d)** your or the Franchised Cafe's compliance with any other Applicable Laws. It is your sole responsibility to obtain satisfactory evidence and/or assurances that the site (and any structures thereon) are free from environmental contamination and in compliance with Applicable Laws.

3.3 Plans and Specifications.

3.3.1 Design Development Plan. Once the site has been designated as an Accepted Site and you have completed due diligence as required in the Manual, we will engage the services of an architect or planner to prepare a design plan (the **“Design Development Plan”**) for the Franchised Cafe. The Design Development Plan will include a schematic space plan layout (a **“Schematic Plan”**), a front of house equipment schedule, and exterior elevations showing desired branding. You must reimburse us for the cost of preparing the Design Development Plan according to the cost schedule set forth in the Manual, which will vary based on the complexity of the project.

3.3.2 Additional Plans. Upon completion of the Design Development Plan, you shall be responsible for engaging an architect that we have approved (an **“Approved Architect”**) to develop construction plans and specifications (**“Plans and Specifications”**) for building permit submittal based on

the Design Development Plan. You will also be responsible for engaging a branding and signage vendor that we have approved (an **"Approved Branding Vendor"**) to develop a plan for branding the exterior of the Franchised Cafe (a **"Branding Plan"**). Lists of Approved Architects and Approved Branding Vendors are set forth in the Manual. We may approve other architects that you propose, provided that the architect meets our qualifications and successfully completes a training program conducted by an Approved Architect that we designate, for which you may be required to pay us or such Approved Architect a fee. You shall submit to us your final Plans and Specifications and Branding Plan for our acceptance (which may be granted or withheld at our discretion) before commencing construction of the Franchised Cafe. All prototype and modified Plans and Specifications and Branding Plans for the Franchised Cafe remain our sole and exclusive property, and you may claim no interest in those modified plans and specifications. You will be responsible for obtaining all necessary design approvals for the Plans and Specifications and Branding Plan, including but not limited to, required approvals from your landlord, the municipality and any third party approving parties.

3.4 Site Acquisition.

3.4.1 Approval of Lease. Before you sign any lease or sublease (a **"Lease"**) for an Accepted Site, you must receive our written approval of such Lease. Within 10 days after our receipt of the proposed Lease, we will advise you in writing whether we have accepted or rejected the proposed Lease. If we do not respond within that time period, we will be deemed to have rejected the proposed Lease. Our approval of the Lease does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms, and we do not assume any liability or responsibility to you or to any third parties due to such approval. Any Lease must: **(a)** in form and substance, be satisfactory to us; **(b)** include provisions such as those set forth in our form of Addendum to Lease (the current form of which is attached as Appendix E), as modified from time to time by us; **(c)** be for an aggregate term of (at least) 20 years in a combination of initial term and renewals; **(d)** contain terms and conditions and payments that are commercially reasonable in our opinion; and **(e)** include any other provisions as we may require from time to time. The Lease shall not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement or any agreement with us.

3.4.2 Acquisition of Possessory Interest. You must obtain a Possessory Interest in the Accepted Site by the Site Acquisition Deadline. You must provide us with a copy of such fully executed Lease or deed within five days after their execution. At that point, **(a)** we shall designate the Accepted Site as the Franchised Location in Appendix A, and **(b)** you may begin construction of the Franchised Cafe. You may not amend or modify the Lease without our prior written approval, and you must provide us with any fully signed Lease addenda within five days after execution.

3.5 Permitting/Licensing. After the date you obtain a Possessory Interest in the Accepted Site (the **"Acquisition Date"**), you shall promptly begin and use reasonable diligence to complete the permitting, licensing and approval process to ensure that construction of the Franchised Cafe commences and is completed in a timely manner. If permitting and licensing is anticipated to take longer than 60 days, you shall advise us in writing of the date on which you anticipate obtaining such permits and licenses and the reasons for the extended time period.

3.6 Construction of the Franchised Cafe.

3.6.1 Contractors. Within 30 days after the Accepted Site has been designated and before you begin construction, you must obtain our approval of, and retain the services of, a project manager as set forth in the Manual to manage the due diligence, design, bidding and construction processes for your Franchised Cafe. We also reserve the right to require you to use a general contractor approved by us as set forth in the Manual. You must engage the Approved Branding Vendor that prepared your Branding Plan to build and install the sign package described in the Branding Plan. You must obtain lien waivers from your contractor and all subcontractors who furnish any materials or services with respect to the construction of the Franchised Cafe.

3.6.2 Construction Orientation Program. We will provide a construction orientation program for you, your project manager and your general contractor for the first franchised Cafe that you develop. The orientation shall be conducted in a manner and location deemed appropriate by us and shall review the construction standards and procedures commonly employed to construct a Cafe. You may request additional construction orientation at a fee as periodically specified in the Manual.

3.6.3 Construction Start Deadline. Unless you and we mutually agree otherwise, you must begin construction of the Franchised Cafe within 30 days after your receipt of all necessary permits and licenses, provided such permits were promptly requested. Prior to commencing construction, you must procure all insurance in accordance with Section 11 (Insurance).

3.6.4 Construction. You acknowledge that the design and materials used in the construction of Cafes is important to us, and you agree to adhere to our design and construction specifications and to use the materials and suppliers we require. You are solely responsible for developing the Franchised Cafe, for all expenses associated with it, and for compliance with the requirements of Applicable Laws, including those concerning the ADA or similar rules governing public accommodations for persons with disabilities. All development and any signage must be in accordance with the Design Development Plan and with the final Plans and Specifications and Branding Plan we have approved and must comply with all Applicable Laws. At our request, you must submit all revised or “as built” Plans and Specifications.

3.6.5 Reports and Inspections. You must provide us with progress reports during the course of construction in a format, and at those times that, are acceptable to us. During the course of construction, you shall (and shall cause your project manager, architect, engineer, contractors, and subcontractors to) cooperate fully with us and our designees for the purpose of permitting us and our designees to inspect the Franchised Cafe in order to determine whether construction is proceeding according to our standards. Without limiting the generality of the foregoing, you and your project manager, architect, engineer, contractors and subcontractors shall: **(a)** supply us or our designees with samples of construction materials, test borings, corings, due diligence environmental studies, supplies, equipment and other material and reports, if any such tests, studies or reports indicate there may be material problems or as we or our designees may request; and **(b)** afford our representatives and our designees access to the Franchised Cafe and to the construction work in order to permit us and our designees to carry out their inspections. Such inspections shall be at our expense, except for inspections made upon your request, which shall be at your expense. If we make travel arrangements for our personnel and you need to delay their arrival, you must reimburse us for any costs and expenses that we incur in changing our travel arrangements.

3.7 Acquisition of Operating Assets.

3.7.1 Operating Assets. You must use in the development and operation of the Franchised Cafe only the types, brands and models of fixtures, furnishings, equipment, signage, vehicles, emblems, lettering, logos and display materials (the “**Operating Assets**”) that we have approved for Cafes in writing from time to time as meeting our specifications and standards for quality, design, appearance, function and performance. You may purchase or lease the Operating Assets and supplies only from suppliers designated by us. From time to time, we may modify the list of approved Operating Assets and/or suppliers, and you may not, after receipt of notice of such modification, reorder any Operating Assets that is no longer approved. If you propose to purchase any Operating Assets or supplies of a type, brand or model, or propose to purchase from a supplier that we have not previously approved, you must notify us and submit to us such information as we may request and comply with our procedures for approving alternate suppliers.

3.8 Final Inspection and Opening Deadline.

3.8.1 Construction Completion Deadline. You must complete construction of the Franchised Cafe within 150 days after the start of construction, unless we agree otherwise. The requirement to complete construction of the Franchised Cafe includes obtaining all required construction and occupancy

licenses, permits and approvals, developing the Franchised Location (including all outdoor features, patios, and landscaping of the Franchised Location), purchasing all required catering equipment, installing all required Operating Assets, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have the Franchised Cafe ready to open for business.

3.8.2 Occupancy Notice. You shall notify us in writing of the date you expect a certificate of occupancy to be issued for the Franchised Cafe (an “**Occupancy Notice**”) at least 40 days prior to the date you expect construction and/or renovation to be completed and a certificate of occupancy to be issued for the Franchised Cafe. After our receipt of the Occupancy Notice, we reserve the right to conduct a final inspection of the Franchised Cafe to determine if you have complied with this Agreement in connection with the development of the Franchised Cafe including, without limitation, the final Schematic Plan, Branding Plan, and Plans and Specifications. We shall not be liable for delays or loss occasioned by our inability to complete our investigation and to make a determination within this 40-day period. If requested by us, you shall submit a copy of the certificate of occupancy to us. If we make travel arrangements for our personnel to conduct the final inspection of the Franchised Cafe prior to opening and you need to extend the inspection date, you must reimburse us for any costs and expenses that we incur in changing our travel arrangements.

3.9 Opening of the Franchised Cafe. You shall not open the Franchised Cafe for business without our express written authorization, which will not be granted unless you have satisfied the conditions contained in this Section 3.9. You may not open the Franchised Cafe for at least 24 days after the date construction is completed so that your employees may be trained in the management and operation of the Franchised Cafe. You must open the Franchised Cafe within 45 days after the date construction is completed and all necessary approvals have been obtained and before the Opening Deadline. **Time is of the essence in the construction and opening of the Franchised Cafe, and failure to comply with all deadlines relating thereto constitutes a material breach or default of this Agreement.** Any extensions of time are subject to our approval, which we may withhold at our discretion. We will not authorize the opening of the Franchised Cafe unless all of the following conditions have been met:

3.9.1 You are not in material default under this Agreement or any other agreements with us; you are not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Cafe (other than defaults that are immaterial in that they do not adversely affect your ability to open or operate the Franchised Cafe); you are not in default beyond the applicable cure period with any vendor or supplier to the Franchised Cafe (other than defaults that are immaterial in that they do not adversely affect your ability to open or operate the Franchised Cafe); and for the previous six months, you have not been in material default beyond the applicable cure period under any agreement with us;

3.9.2 We have determined that the Franchised Cafe has been constructed and/or renovated and equipped substantially in accordance with the requirements of this Agreement including, without limitation, the Schematic Plan, the Branding Plan, and the Plans and Specifications;

3.9.3 You have hired and trained a staff in accordance with the requirements of this Agreement;

3.9.4 You, your Controlling Principal (as defined in Section 13.6 (Controlling Principal)), your Operating Partner (as defined in Section 13.7 (Operating Partner)), the General Manager and at least three Managers (one of whom may be a Shift Supervisor if approved by us) of the Franchised Cafe have completed our initial training program;

3.9.5 You have paid the Initial Franchise Fee (as defined in Section 4.1) and any other amounts then due to us;

3.9.6 You have signed this Agreement and all other agreements including, but not limited to, the electronic funds transfer documents described in Section 4.6 (Bank Payments) as required by us;

3.9.7 You have obtained a certificate of occupancy and any other required health, safety or fire department certificates; and

3.9.8 You have provided us copies of certificates for all insurance policies required by Section 11 (Insurance) or such other evidence of insurance coverage and payment of premiums as we reasonably may request.

3.10 Reporting of Costs. You must provide a written report to us in a form specified by us detailing all construction and development costs and expenses for the Franchised Cafe within 30 days after the opening of the Franchised Cafe. You acknowledge and agree that we will share these costs and expenses with other existing and prospective franchisees and developers of Cafes.

3.11 Relocation. You may not relocate the Franchised Cafe without our prior written consent. Such approval will not be unreasonably withheld, provided that (i) the new location for the Franchised Cafe premises is satisfactory to us, (ii) your Lease, if any, for the new location complies with our then-current requirements and you and your landlord execute the Addendum to Lease, (iii) you comply with our then-current requirements for constructing and furnishing the new location, (iv) the new location will not, as determined in our sole discretion, materially and adversely affect the Gross Sales of any other Cafe, (v) you have fully performed and complied with each provision of this Agreement within the last three years prior to, and as of, the date we consent to such relocation (the “**Relocation Request Date**”), (vi) no Event of Default (as herein defined), or event which with the giving of notice and/or passage of time would constitute an Event of Default, exists as of the Relocation Request Date, and (vii) you have met all of our then-current training requirements. If we approve a relocation of the Franchised Cafe, we may charge you for all reasonable charges actually incurred by us in connection with our consideration of your relocation request. If we approve your relocation request, within six months after you receive our written notice of approval, you must relocate and commence operations of the Franchised Cafe at the new site. We will not extend the term of this Agreement if you relocate the Franchised Cafe

3.12 Limitation of Liability. Notwithstanding our rights with regard to development as set forth in this Section 3 (Development of the Franchised Cafe), we and our designees shall have no liability or obligation with respect to the Franchised Location, the design or construction of the Franchised Cafe, or the Operating Assets to be acquired. Our inspections or approvals shall not be construed as any express or implied representation or warranty that the Franchised Cafe complies with any Applicable Laws or that the construction of the Franchised Cafe is sound or free from defects. Our review and acceptance of your Plans and Specifications and Branding Plan is not designed to assess compliance with Applicable Laws, as compliance with such laws is your sole responsibility.

4 FEES

4.1 Initial Franchise Fee. Simultaneously with your execution of this Agreement, you shall pay to us an initial franchise fee in the amount specified in Appendix A (the “**Initial Franchise Fee**”). You acknowledge and agree that the Initial Franchise Fee is paid in consideration of our grant of this Franchise to you, it is fully earned at the time paid, and it is not refundable for any reason whatsoever.

4.2 Royalty Fee.

4.2.1 Amount of Royalty Fee. You agree to pay us a continuing royalty fee in the amount of 5% of Gross Sales (the “**Royalty Fee**”) for each period as designated by us, which as of the Effective Date is each one-week period.

4.2.2 Gross Sales. The term “**Gross Sales**” shall include all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed but not when purchased, on-premise sales, off-premise sales, catering sales, and any other type of sale, and delivery fees) related to the Franchised Cafe, whether for cash or credit and regardless of collection in the case of credit. Gross Sales also includes all insurance proceeds

you receive to replace revenue that you lose from the interruption of the Franchised Cafe due to a casualty or other event covered by business interruption or similar insurance coverage. Gross Sales shall not include: **(a)** any bona fide documented federal, state, or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority; **(b)** the sale of food or merchandise for which refunds have been made in good faith to customers; **(c)** the sale of Operating Assets; **(d)** customer promotional discounts approved by us; **(e)** employee meal discounts and tips.

4.3 Marketing Expenditures. You also shall spend and/or contribute for marketing. The exact amount of the marketing fees to be spent and/or contributed by you and the allocation of the marketing expenditures as of the date of this Agreement are set forth in Section 6.2 (Advertising Obligation) and Appendix A.

4.4 Late Charges and Interest. Any payment or report not actually received by us on or before the date on which such payment is due shall be deemed as late. To compensate us for the increased administrative expense of handling late payments, we have the right to charge a \$500 late charge for each delinquent payment, due upon making the delinquent payment. In addition to such late charge, you shall pay interest to us on such late payment from the date it was due until paid at the rate of 18% per annum, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies we may have. You agree that this Section does not constitute our agreement to accept payments after they are due or a commitment by us to extend credit to you or otherwise finance the operation of the Franchised Cafe.

4.5 No Right of Offset. You have no right of offset against any payments due to us under this Agreement. You shall not withhold any payments due to us under this Agreement for any reason.

4.6 Payment By Pre-Authorized Bank Transfer.

4.6.1 Electronic Transfer. You must participate in our electronic funds transfer program authorizing us to utilize a pre-authorized bank draft system. You agree to sign and complete the Authorization Agreement that we require in the Manual, and/or such other documents as we may reasonably require from time to time, to authorize and direct your bank or financial institution to pay and deposit directly to our account, and to charge to your business checking account ("**Electronic Depository Transfer Account**" or "**EDTA**"), the amount of the Royalty Fees, marketing fees and contributions, and other amounts due and payable by you pursuant to this Agreement any other agreements with us and our affiliates (such withdrawals shall be defined as a "**Sweep**"). You must pay all costs and expenses of establishing and maintaining the EDTA, including transaction fees and wire transfer fees.

4.6.2 Sweeps. We shall have the authority to Sweep the EDTA at any time as specified in the Manual. As of the Effective Date, we review your sales numbers and calculate the fees due following the end of each week and following the end of each "**Reporting Period**", which is a calendar month. We Sweep the weekly Royalty Fee directly from the EDTA each Thursday and we Sweep the amounts due for the marketing contributions, other fees due under the Franchise Agreement, and any other agreements with us and our affiliates directly from the EDTA on the 10th day of every month. You agree to maintain at all times sufficient funds in the EDTA for such Sweeps. You agree not to terminate our right to withdraw funds from the designated EDTA during the term of this Agreement without our prior written consent.

4.7 Partial Payments. No payment by you or acceptance by us of any monies under this Agreement for a lesser amount than due shall be treated as anything other than a partial payment on account. Your payment of a lesser amount than due with an endorsement, statement or accompanying letter to the effect that payment of the lesser amount constitutes full payment shall be given no effect, and we may accept the partial payment without prejudice to any rights or remedies we may have against you. Acceptance of payments by us other than as set forth in this Agreement shall not constitute a waiver of our right to demand payment in accordance with the requirements of this Agreement or a waiver by us of any other remedies or rights available to us pursuant to this Agreement or under Applicable Laws. Notwithstanding any designation by you, we shall have sole discretion to apply any payments by you to any of your past due indebtedness for Royalty Fees, marketing contributions and fees, purchases from BCF or

our affiliates, interest or any other indebtedness. We have the right to accept payment from any other legal entity such as a business corporation, partnership, limited liability company, or other legal entity (an “Entity”) as payment by you. Acceptance of that payment by us will not result in that other Entity being substituted for you.

4.8 Collection Costs and Expenses. You agree to pay to us on demand any and all costs and expenses incurred by us in enforcing the terms of this Agreement, including, without limitation, collecting any monies owed by you to us. These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys’ fees (including attorneys’ fees for in-house counsel employed by BCF or our affiliates and any attorneys’ fees incurred by us in bankruptcy proceedings), costs incurred in creating or replicating reports demonstrating Gross Sales of the Franchised Cafe, court costs, expert witness fees, and discovery costs, together with interest charges on all of the foregoing.

4.9 Letter of Credit. We may require you to provide a letter of credit from a national bank and on terms set forth in the Manual equal to 150% of all fees (including Royalty Fees, marketing contributions and fees, interest and other payments to us) anticipated to be due annually under all agreements between the parties in the event of any failure by you to pay timely all fees due. You shall use your best efforts to obtain the letter of credit within 15 days after receipt of our request and provide a copy to us.

5 RECORDS AND REPORTS

5.1 Recordkeeping. You shall keep and maintain, in accordance with any procedures set forth in the Manual, complete and accurate books and records pertaining to the Franchised Cafe sufficient to report fully to us. Your books and records shall be kept and maintained using generally accepted accounting principles (“GAAP”), if you use GAAP in any of your other operations, or using other recognized accounting principles applied on a consistent basis that accurately and completely reflect your financial condition. If permissible under Applicable Laws, you must use the fiscal year that we use. You shall preserve all of your books, records and state and federal tax returns pertaining to the Franchised Cafe for at least five years after the later of preparation or filing (or such longer period as may be required by any governmental entity) and make them available and provide duplicate copies to us within five days after our written request.

5.2 Periodic Reports. You must prepare and submit to us the reports at the times and in the format specified by us in this Section and in the Manual. All reports shall use our then-current standard chart of accounts. The information in each report and financial statement must be complete and accurate and signed by your Controlling Principal or an officer of yours. You must provide the following reports:

5.2.1 No later than the first business day immediately following the end of the applicable Reporting Period, a report of Gross Sales for the preceding Reporting Period.

5.2.2 Within 15 days after the expiration of each calendar month **(a)** a profit and loss statement, balance sheet and fiscal-year to date profit and loss statement in a format designated by us in the Manual; and **(b)** a report of Field Marketing expenditures (as defined in Section 6.5.1 (Required Field Marketing)) for the preceding month in a format designated by us in the Manual.

5.2.3 At the time of filing with taxing authorities, copies of all sales tax returns for the Franchised Cafe.

5.2.4 Within 30 days of our request, such other forms, reports, records, information and data as we may reasonably designate, including sales mix data, food and labor cost reports, sales and income tax statements and returns, in the form and at the times and places reasonably required by us.

5.2.5 Within 90 days after the expiration of each fiscal year, a reviewed or audited year-end balance sheet and income statement and statement of cash flow of the Franchised Cafe for such year, reflecting all year-end adjustments and accruals. We shall have the right, in our reasonable discretion, to

require that you, at your expense, submit audited financial statements prepared by a certified public accounting firm acceptable to us for any fiscal year or any period or periods of a fiscal year.

5.2.6 If you are or become a publicly-held Entity (*i.e.*, an Entity that has a class of securities traded on a recognized securities exchange or quoted on the inter-dealer quotation sheets known as the “pink sheets”), in accordance with other provisions of this Agreement, you shall send to us copies of all reports (including responses to comment letters) or schedules that you file with the U.S. Securities and Exchange Commission (certified by your chief executive officer to be true, correct, complete and accurate) and copies of any press releases you issue, within three days of the filing of those reports or schedules or the issuance of those releases.

5.3 Use of Information. We reserve the right to publish or disclose information that we obtain under this section in any data compilations, collections, or aggregations that we deem appropriate, in our sole discretion. You acknowledge and agree that we may share information from reports that you provide to us on an individual Franchised Cafe basis with other prospective and existing Cafe franchisees.

5.4 Audit Rights.

5.4.1 Inspection and Audit Rights. We or our designated agents shall have the right at all reasonable times to inspect, audit, and copy, at our expense, the statements and reports referenced above and your books, records, and tax returns related to the Franchised Cafe. If you fail to provide us on a timely basis with the records, reports and other information required by this Agreement or, upon our request, with copies of the same, **(a)** we or our designee shall have access at all reasonable times (and as often as necessary) to your books and records for the purpose, among other things, of preparing the required records, reports and other information, and **(b)** you promptly shall reimburse us or our designee for all costs and expenses associated with our obtaining such records, reports or other information. We also shall have the right, at any time, to have an independent audit made of the statements and reports referenced above and your books, records, and tax returns related to the Franchised Cafe.

5.4.2 Deficiencies. If an inspection should reveal that you have understated any payments in any report to us, then this shall constitute a default under this Agreement, and you must immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate set forth in Section 4.4 (Late Charges and Interest). If we conduct an inspection because you did not timely provide reports to us, or if an inspection discloses that you understated your Gross Sales, in any report to us, by 2% or more, then: **(a)** you (in addition to paying us the overdue amount, plus interest) must reimburse us for any and all costs and expenses we incur in connection with the inspection (including but not limited to travel, lodging and wages expenses, and reasonable accounting and legal costs) and **(b)** we also have the right to require you to have your annual financial statement prepared on an audited basis, at your sole cost and expense. If an inspection discloses that you understated your Gross Sales, in any report to us, by 5% or more, then we will have the right to immediately terminate this Agreement. The foregoing remedies shall be in addition to any other remedies that we may have under this Agreement.

6 MARKETING AND PROMOTION

6.1 Marketing Programs. This Section 6 describes our marketing, public relations, and advertising programs; however, we reserve the right to modify these programs and the manner in which the marketing and advertising funds are used for such purposes from time to time, in whole or in part, as we deem necessary. You acknowledge and recognize the value of, and the need to, develop, enhance, and promote the System and the Marks and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System and the Marks.

6.2 Advertising Obligation. You will have a periodic advertising obligation (“MAO”) in an amount not to exceed 4.5% of the Gross Sales of the Franchised Cafe as set forth in this Section 6 and Appendix A. You shall pay on the 10th day of each month, or such other due date that we require, that portion of the MAO set forth in Appendix A, as subsequently may be modified by us, to a National Marketing

Fund in accordance with Section 6.3.1 (National Marketing Fund), to a Regional Marketing Fund in accordance with Section 6.3.2 (Regional Marketing Fund), and for the Brand Development Fee in accordance with Section 6.4 (Brand Development Fee). The remainder of the MAO shall be spent for Field Marketing in accordance with Section 6.5 (Field Marketing). Following written notice to you, we may increase and/or reallocate the MAO among the National Marketing Fund, a Regional Marketing Fund, the Brand Development Fee, and/or your Field Marketing expenditures.

6.3 Marketing Funds.

6.3.1 National Marketing Fund. We have established and administer the Corner Bakery Cafe National Marketing Fund (the “**National Marketing Fund**”) for expenses incurred in connection with the creation, administration and development of advertising, marketing, design and public relations, research and related programs, activities and materials that we, in our sole discretion, deem appropriate.

6.3.2 Regional Marketing Funds. We have the right, in our sole discretion, to establish one or more regional marketing funds for Cafes (“**Regional Marketing Funds**”) for expenses incurred in connection with the creation, administration and development of advertising, marketing, design and public relations, research and related programs, activities and materials that we, in our sole discretion, deem appropriate, which will be spent in ways to benefit the geographical area to which it applies. You must participate in all advertising, marketing, promotions, research and public relations programs instituted by your Regional Marketing Fund.

6.3.3 Use of Funds. We or our designee shall direct all advertising, marketing, and public relations programs and activities financed by the National Marketing Fund and Regional Marketing Funds (the “**Funds**”), with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. We may use the Funds to develop and execute any, all, none or a combination of the following: **(a)** advertising ideas, concepts and general plans; **(b)** menu, merchandising and marketing materials; **(c)** merchandising programs and strategies including customer relationship management and loyalty programs; **(d)** advertising and marketing studies, research or services; **(e)** public relations activities and brochures; **(f)** advertising strategies and campaigns, including video, audio, electronic and printed advertising materials; **(g)** promotional ideas, concepts and general plans; **(h)** design, administration, and optimization of the Corner Bakery Cafe website; **(i)** media planning and buying services; **(j)** menu items and products; **(k)** collateral creative materials; **(l)** advertisements, including writing, design, illustration, filming, editing and other preparation of advertising materials; **(m)** employing advertising and public relations agencies; **(n)** media programs, including planning, strategy, negotiation, contracting, buying, verifying, modifying and trafficking the programs; **(o)** market research, including, secret shopper programs, customer satisfaction surveys, and branding studies; **(p)** keyword or AdWord purchasing programs; **(q)** administration of the Funds and technical and professional advice in connection with the Funds (including the pro-rata amount of salaries of our personnel who devote time to Fund activities and retainers and fees for outside agencies); and **(r)** other advertising, promotional, public relations, administrative and related purposes including the administration of Field Marketing. We will not use the Funds for anything whose sole purpose is the marketing of franchises, however, you acknowledge that our website, public relations activities, community involvement activities, and other activities supported by the Funds may contain information about franchising opportunities. None of the Funds will be used to defray any of our general operating expenses, except we and our affiliates may be reimbursed by each Fund for salaries, administrative costs, travel expenses, and overhead we or our affiliates incur in the administration of the Funds or Field Marketing.

6.3.4 Materials Produced. Any sales and other materials produced with Fund monies will be made available to you without charge or at a reasonable cost. The proceeds of such sales will also be deposited into the Funds.

6.3.5 Our Contributions. Cafes operated by us and our affiliates in an area covered by a Regional Marketing Fund shall contribute to the Regional Marketing Fund on the same basis as

comparable franchisees. Cafes owned by us and our affiliates shall contribute to the National Marketing Fund on the same basis as comparable franchisees.

6.3.6 Operation of the Funds. We may, as we deem appropriate, seek the advice of owners of Cafes by formal or informal means with respect to the creative concepts and media used for programs financed by the Funds. We reserve the right to have an affiliate or a designee manage any Fund or to hire, or have such affiliate or designee hire, employees to manage the Fund, which shall be paid for by the Fund. We shall separately account for the Funds; however, we shall not be required to segregate any of the Funds from our other monies. You acknowledge and agree that contributions to each Fund are not held by us in trust and we do not have any fiduciary obligation to you with respect to contributions to any Fund. All disbursements from the Funds shall be made first from income and then from contributions. While our intent is to balance each Fund on an annual basis, from time to time, a Fund may run at either a surplus or deficit. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Cafes to a Fund in that year. Each Fund may borrow from us or other lenders to cover deficits in that Fund, and we may cause the Fund to invest any surplus for future use by the Fund. We will prepare annually an unaudited statement of monies collected and costs incurred by the Funds and furnish a copy to you upon your written request. We shall have the right to cause each Fund to be incorporated or operated through an Entity separate from us at such time as we deem appropriate, and such successor Entity shall have all of our rights and duties pursuant to this Section 6. We, in our sole discretion, and as we deem appropriate in order to maximize media effectiveness, may transfer monies from the National Marketing Fund to any Regional Marketing Fund or from any Regional Marketing Fund to the National Marketing Fund.

6.3.7 No Liability. You understand and acknowledge that the Funds are intended to enhance recognition of the Marks and patronage of Cafes. We will endeavor to utilize the Funds to develop advertising and marketing materials and programs and to place advertising that will benefit the System and all Cafes contributing to the respective Funds. You agree, however, that we and our affiliates are not liable to you, and you forever covenant not to sue us or our affiliates and hold us and our affiliates harmless from any liability or obligation to ensure that expenditures by each Fund in or affecting any geographic area (including the Franchised Location) are proportionate or equivalent to the contributions to the National Marketing Fund and any Regional Marketing Fund by Cafes operating in that geographic area, or that any Cafe will benefit directly or in proportion to its contributions to the Funds from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this Section 6, neither we nor our designee assumes any direct or indirect liability to you with respect to the maintenance, direction or administration of each Fund.

6.3.8 Termination or Suspension of Funds. We reserve the right, in our sole discretion, to: **(a)** suspend contributions to, and operations of, any Fund for one or more periods that we determine to be appropriate; **(b)** terminate any Fund upon 30 days' written notice to you and establish, if we so elect, one or more new Funds; and **(c)** defer or waive, in whole or in part, upon the written request of any franchised or company-operated Cafes, any advertising contributions required by this Section 6 if, in our sole judgment, there has been demonstrated unique, objective circumstances justifying any such waiver or deferral. On termination of a Fund, all monies in that Fund shall be spent for advertising and/or promotional purposes. We have the right to reinstate any Fund upon the same terms and conditions set forth in this Agreement upon 30 days' prior written notice to you.

6.4 Brand Development Fee. The Brand Development Fee is our exclusive property and will be used by us to cover, among other things, the costs of creating, maintaining, administering and directing advertising and promotional activities including, but not limited to, market research activities, public relations efforts, brand design elements, interactive and digital strategies, research and other related programs, product testing, administering Field Marketing plans and activities, and reimbursement for salaries, administrative costs, travel expenses, and overhead we or our affiliates incur in connection with these activities. Cafes operated by us and our affiliates also pay a Brand Development Fee on the same basis as comparable franchisees. We do not have to separately account to you for the Brand Development Fees that we collect and spend.

6.5 Field Marketing Expenditures.

6.5.1 Required Field Marketing. You must spend for local advertising and promotion of the Franchised Cafe (“**Field Marketing**”) the amount set forth in Appendix A, as may be subsequently modified by us. You shall furnish us with annual Field Marketing plans 60 days prior to your grand opening and by November 1st of the previous year for each year thereafter. You shall provide documentation to us regarding all Field Marketing expenditures on the 15th day of each month. If you do not make the required Field Marketing expenditures, we may collect the funds from you by Sweeping your EDTA and spend them (or hire a third party to spend them) on your behalf for Field Marketing. We shall provide you with not less than 30 days’ prior notice of any change in your required Field Marketing expenditures.

6.5.2 Allowable Expenditures. Field Marketing expenditures include the following pre-approved expenditures: **(a)** amounts spent by you for advertising media, such as digital, print, radio, television, banners, posters, direct mail, grassroots premiums, event invites, and, if not provided by us at our cost, the cost of producing approved materials necessary to participate in these media; **(b)** coupons and special (or promotional) offers pre-approved by us; and **(c)** local marketing and public relations agency fees. Field Marketing expenditures do not include amounts spent for items, in our reasonable judgment, deemed inappropriate for meeting the minimum advertising requirement, including permanent on-premises signage, menu boards, menus, occasion signage, Yellow Pages advertising, lighting, personnel salaries or administrative costs, transportation vehicles (even though such vehicles may display the Marks), product costs associated with redemption of coupons, and promotional offers and employee incentive programs.

6.5.3 Field Marketing By Us. We reserve the right, which shall be effective on 30 days’ prior written notice to you, to require you to pay your Field Marketing expenses to us at the same time as and in the same manner that you contribute to the National Marketing Fund (including through periodic Sweeps of your EDTA). We shall separately account for these Field Marketing monies; however, we shall not be required to segregate any of the Field Marketing monies from our other monies. On the first day of each month, you shall furnish to us a request for reimbursement with evidence of your Field Marketing expenditures from the prior month. Provided you are not in default or delinquent on any payments owed to us or our affiliates, we shall reimburse you for such expenditures up to the total amount of your reimbursement account available for reimbursement as of the date of our receipt of your request. We reserve a right to retain a portion of the Field Marketing funds collected by us to cover our costs in administering Field Marketing plans and programs. If your Field Marketing expenditures for any calendar year are less than the actual funding available in your reimbursement account, the excess funding will be carried over for reimbursement during the first calendar quarter of the next calendar year. After March 31 of each calendar year, all funds carried over from the preceding calendar year shall no longer be available for reimbursement to you and shall be contributed to the National Marketing Fund. You acknowledge and agree that such excess unreimbursed funds are non-refundable, shall not be considered to be held in trust for you and that we make no representation and undertake no obligation to make any expenditure of such funds on your behalf.

6.6 Opening Marketing. At least 60 days prior to the opening of the Franchised Cafe, you must submit a Grand Opening Required Spending Plan (the “**Grand Opening Plan**”) to us outlining your proposal for grand opening marketing and promotion of the Franchised Cafe. You shall not implement the Grand Opening Plan unless and until we have consented to the plan in writing. You agree to modify the Grand Opening Plan as requested by us and, thereafter, no substantial changes shall be made to the Grand Opening Plan without our advance written consent. In addition to the MAO and your Field Marketing obligations, you shall, during the period beginning 30 days before the scheduled opening of the Franchised Cafe and continuing for 180 days after the Franchised Cafe first opens for business (the “**Grand Opening Period**”), spend at least \$15,000 to conduct grand opening marketing and promotion in authorized advertising media and for authorized expenditures (as defined in Section 6.8 (Prior Approval of Marketing Materials)). Within 30 days of each grand opening expense that you incur, you shall submit to us evidence (by invoice and sample, if applicable) of such grand opening marketing and promotional expenditures.

6.7 Other Marketing Programs. In addition to the MAO and your Field Marketing obligations, you must fully participate, at your expense, in all local, regional, or national marketing programs that we

may prescribe from time to time (“**Marketing Programs**”). The Marketing Programs may include product promotions, product launches, price point promotions, public relations campaigns, prize contests, customer loyalty programs, co-branding programs, special offers, offers or discounts to customers affiliated with certain organizations, Internet advertising programs, and any other programs that we reasonably believe will benefit the System and the Marks. Such Marketing Programs may require your cooperation (including refraining from certain channels of marketing and distribution or purchasing specified quantities of inventory and supplies), participation (including payment of commissions, rebates, or referral fees), and adherence to pricing restrictions to the extent permitted by Applicable Laws. We may designate the coverage area, method and timing of payment, and use of any outside agencies for any Marketing Programs. Your expenses related to Marketing Programs will not count towards your minimum Field Marketing obligations.

6.8 Prior Approval of Marketing.

6.8.1 Right of Approval. You agree to use in your marketing efforts the marketing materials available from us, which shall be made available to you at your expense, in the manner and frequency we require. You must submit to us for our prior approval, all marketing plans, marketing programs, written materials and samples of all marketing, public relations and promotional materials not prepared or previously approved by us and that vary from our standard marketing, public relations and promotional materials. If you elect to work with a marketing agency, you must obtain our written approval of such agency, which approval we may in our sole discretion withhold or otherwise condition, before you sign any contracts or share any Confidential Information (as defined in Section 17.1.1 (Confidential Information)) with the agency. You may not issue any press or other media releases or other communication regarding the Franchised Cafe without our prior written approval.

6.8.2 Marketing Standards. If purchased from a source other than BCF or our affiliates, these materials shall comply with Applicable Laws and with the guidelines for marketing and promotions promulgated from time to time by us or our designee and shall be submitted to us or our designee at least 30 days prior to first use for our approval, which we may grant, condition or withhold in our sole and absolute discretion. In no event shall your advertising contain any statement or material that, in our sole discretion, may be considered: **(a)** in bad taste or offensive to the public or to any group of persons; **(b)** defamatory of any person or an attack on any competitor; **(c)** to infringe upon the use, without permission, of any other persons’ trade name, trademark, service mark or identification; or **(d)** inconsistent with the public image of the System or the Marks.

6.9 Digital Marketing. We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, LinkedIn, etc.), blogging and vlogging accounts, file or media sharing accounts, applications, mobile applications, keyword or AdWord purchasing programs, e-mail marketing campaigns, or other means of digital advertising on the Internet or any electronic communications network that are intended to promote the Marks, your Franchised Cafe, and the entire network of Cafes (collectively, “**Digital Marketing**”). We will have the sole right to control all aspects of any Digital Marketing, including those related to your Franchised Cafe. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Franchised Cafe or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time.

7 MANUAL

7.1 Compliance with Manual. We will provide you access to an electronic version of our confidential and proprietary Manual, which contains information and knowledge that is unique, necessary and material to the System, including detailed standards, specifications, instructions, requirements, methods and procedures for the management and operation of the Franchised Cafe. As used in this Agreement, the term “Manual” also includes one or more manuals, publications, materials, drawings,

memoranda, DVDs, and electronic media that we from time to time may loan to you. You agree to comply fully with all mandatory standards, specifications and operating procedures and other obligations contained in the Manual. You acknowledge that we may amend, modify, or supplement the Manual at any time, so long as such amendments, modifications, or supplements will, in our good faith opinion, benefit us and our existing and future franchisees or will otherwise improve the System. You must comply with revised mandatory standards and specifications within 30 days after we transmit the updates, unless otherwise specified.

7.2 Access to and Use of the Manual. We maintain the Manual on a searchable proprietary limited access Intranet portal, which we will allow you to enter to provide you access to our electronic Manual. You may print one copy of the Manual from the portal, which is allowed as a loan to you. You must keep your copy of the Manual current and up-to-date with all additions and deletions provided by or on behalf of us. You must take all measures necessary (and all security protocols we require) to limit access and insure confidentiality of the Manual, including the use of pass codes, firewalls, and other available technology; to refrain from reproducing the Manual or any part of it; and to disclose the contents of the Manual only to your employees who have a need to know. If a dispute relating to the contents of the Manual develops, the master copy maintained by us at our principal offices shall control. You agree to return to us the Manual loaned to you immediately upon the expiration or termination of this Agreement.

8 MODIFICATIONS OF THE SYSTEM

8.1 System Modifications. We, in our sole discretion, shall be entitled from time to time to change or modify the System, including modifications to the Manual, the menu and menu formats, the required equipment, the signage, the building and premises of the Franchised Cafe (including the trade dress, décor and color schemes), the presentation of the Marks, the adoption of new administrative forms and methods of reporting and payment of any monies owed to us (including electronic means of reporting and payment) and the adoption and use of new or modified Marks or copyrighted materials. Provided that we require the change or modification to be implemented in all franchised and company-operated Cafes and at least 25% of company-operated Cafes have actually implemented the change or modification, you shall implement in the Franchised Cafe within 30 days (or such longer period that we may specify) any such changes or modifications to the System as if they were a part of the System at the time this Agreement was signed, and you will make such expenditures as the changes or modifications in the System may reasonably require.

8.2 Authorized Menu Items. Within 30 days after receipt of written notice from us, you shall begin selling any newly authorized menu items and cease selling any menu items that are no longer authorized, provided that the change or modification is required system-wide and at least 25% of company-operated Cafes have actually implemented the change or modification. All food, beverage and merchandise items authorized for sale at the Franchised Cafe shall be offered for sale under the specific name designated by us. We, in our sole discretion, may restrict sales of menu items to certain time periods during the day. You shall establish menu prices in your sole and absolute discretion. You shall not add or modify any menu item or participate in a test market program without first having obtained our prior written approval. You shall purchase any additional equipment and smallwares as we deem reasonably necessary in connection with new menu items. If we require you to begin offering a new menu item that requires the purchase of additional equipment, a reasonable period of time, as determined in our sole discretion, shall be provided for the financing, purchase and installation of any such equipment before such new menu items must be offered for sale at the Franchised Cafe.

8.3 Renovation of the Franchised Cafe. Extensive structural changes, major remodeling and renovations, and substantial modifications to existing equipment and improvements to modernize and conform the Franchised Cafe to the current image of the System for new franchised and company Cafes shall be required at our request (but not more often than every five years). Capital expenses necessary for the repair and maintenance of the Franchised Location are not subject to the time limitations described in the preceding sentence. Within 60 days after receipt of our written notice regarding the required modernization, you shall prepare and complete drawings and plans for the required modernization. These drawings and plans must be submitted to, and their use approved by, us prior to the commencement of

work. You shall complete the required modernization within the time reasonably specified by us in our written notice.

8.4 Variations from System Standards. We have the right, in our sole discretion, to waive, defer or permit variations from the standards of the System or the applicable agreement to any franchisee or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. We shall have the right, in our sole discretion, to deny any such request we believe would not be in the best interests of the System.

8.5 Your Development of System Improvements. All recipes, processes, ideas, concepts, supplier relationships, methods and techniques used or useful to a restaurant, or other business offering restaurant products, whether or not constituting protectable intellectual property, that you create, or that are created on your behalf, in connection with the development or operation of the Franchised Cafe must be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and deemed to be works made-for-hire for us. You hereby assign, and further agree to sign whatever further assignment or other documents that we request to evidence our ownership in, or to assist us in securing, intellectual property rights in such ideas, concepts, techniques or materials.

9 TRAINING AND GUIDANCE

9.1 Pre-Opening Assistance. We shall provide consultation and advice to you as we deem appropriate with regard to development and operation of the Franchised Cafe, building layout, furnishings, fixtures and equipment plans and specifications, training, purchasing and inventory control and such other matters as we deem appropriate.

9.2 Initial Training Program.

9.2.1 Initial Training. If you do not already operate another franchised Cafe, within 90 days after the Effective Date and before any of your employees attend any training programs and before you open the Franchised Cafe, your Controlling Principal shall attend, and complete to our satisfaction, the initial training program ("**Initial Training Program**"). Your Controlling Principal, Operating Partner, Multi-Unit Manager (as defined in Section 13.8 (Multi-Unit Manager), if applicable), General Manager and up to three Managers of the Franchised Cafe (one of whom may be a Shift Supervisor if approved by us) and any other person designated by us (the "**Required Trainees**"), must attend, and become certified in, our Initial Training Program. We will authorize the Franchised Cafe to open only after an adequate number of your employees, as determined by us in our sole discretion, have attended and successfully completed the Initial Training Program.

9.2.2 Location of Initial Training. The Initial Training Program will include classroom instruction, eLearning programs, and training at our designated training facilities, which may be a Cafe operated by BCF or our affiliates. If a franchised Cafe operated by you has been certified as a Certified Training Cafe in accordance with Section 9.5.2 (Certified Training Cafe), you will conduct the Initial Training Program at your Certified Training Cafe at your expense; provided however, that your Controlling Principal, Operating Partner and Multi-Unit Manager must attend the multi-unit orientation / owner orientation portion of the Initial Training Program at our headquarters or such other location that we designate.

9.2.3 Initial Training Expenses. Unless you (or your affiliates) operate at least three franchised Cafes or you have a Certified Training Cafe, we will bear all expenses for the Initial Training Program, provided that you will be required to pay all salaries, meals, lodging, other living expenses and transportation costs incurred by your employees while attending the Initial Training Program. If you operate at least three franchised Cafes or have a Certified Training Cafe, you will bear all expenses for the Initial Training Program and will reimburse us for any expenses we incur.

9.2.4 Repeat Training. If any individual who is required to receive our certification fails to successfully complete the Initial Training Program and receive our certification, then that individual may repeat the program or you may send a substitute to complete the next available program. We reserve the right to charge you a fee for providing any subsequent training program to these individuals or for training any of your substitute personnel.

9.2.5 Replacement Training. Subsequent to the opening of the Franchised Cafe, any employee of yours who assumes any of the Required Trainee positions or the position of Shift Supervisor must, before assuming such position, attend the Initial Training Program and receive our certification for that position. If we provide the Initial Training Program to these additional employees, you shall pay to us a training fee at the then-current rate being charged by us to franchisees for such training.

9.3 Opening Assistance.

9.3.1 Team of Trainers. If the Franchised Cafe is one of your first two franchised Cafes, we will provide an opening team of trainers (not to exceed eight personnel) to assist in the opening of the Franchised Cafe and in training your employees for the period deemed necessary by us, which shall not be less than 13 days. If the Franchised Cafe is your third franchised Cafe opening, we will provide opening support (not to exceed four personnel) for the period deemed necessary by us, which shall not be less than 13 days, and you shall provide your own opening team of trainers. We do not charge any fees for providing our opening team of trainers or opening support personnel for your first three franchised Cafes. If the Franchised Cafe is your fourth or subsequent franchised Cafe opening, you will provide your own opening team of trainers from your Certified Training Cafe unless you request our opening team of trainers or any opening support or you do not have a Certified Training Cafe. In that instance, you will be required to pay our then-current rate for our opening support personnel and our opening team of trainers in addition to their meals, lodging, other living expenses and transportation costs.

9.3.2 Scheduling Trainers. You shall provide us written notice 40 days in advance of the scheduled opening date, and we shall have the right to rely on that date to schedule and coordinate our personnel who will assist in the opening. You must have a certificate of occupancy, or a conditional certificate of occupancy, at least two days before the scheduled arrival of our employees. We may delay the scheduled arrival of our employees if we determine, in our sole discretion, that the Franchised Cafe building is not safe or not ready to begin training.

9.3.3 Additional Initial Training. If you request, we may, depending on the availability of our personnel, make trainers available for longer than the period deemed necessary by us. You shall pay our then-current charges for any trainers who remain at the Franchised Cafe longer than the period deemed necessary by us, plus their meals, lodging, other living expenses and transportation costs.

9.4 Additional Training. We shall have the right (which may be exercised at any time and in our sole discretion) to require that your Required Trainees take and successfully complete other in person and eLearning training courses in addition to the Initial Training Program. We reserve the right to require you to pay a tuition fee as established by us from time to time for these additional training programs within 30 days of receipt of an invoice from us.

9.5 Training by You.

9.5.1 Required Training. You shall conduct such initial and continuing training programs for your employees as we may require from time to time, including those training programs required in order for your employees to be certified for the position(s) for which each employee was hired, as described in Section 9.2 (Initial Training Program).

9.5.2 Certified Training Cafe. If you operate three or more franchised Cafes, within 90 days after you open your third Cafe, you must establish and continuously maintain one of your Cafes as a Cafe at which your trainers will offer the Initial Training Program to your employees and the employees of

future Cafes that you develop (a “**Certified Training Cafe**”). We must certify a Cafe as a Certified Training Cafe before you may begin training there. In order for a Cafe to be certified by us as a Certified Training Cafe, you must meet the requirements and qualifications set forth in the Manual. We may periodically visit your Certified Training Cafe to ensure that it continues to meet our standards. If you do not have a Certified Training Cafe as required, your Required Trainees must attend and successfully complete our initial training program at a training facility designated by us, which may be a Cafe operated by us or our affiliates, in which case you will be required to pay a tuition fee for your employees who attend the training program in addition to paying all salaries, meals, lodging, other living expenses and transportation costs incurred by your employees while attending the training program.

9.6 Post-Opening Assistance. We periodically, as we deem appropriate, shall advise and consult with you in connection with the operation of the Franchised Cafe. We, as we deem appropriate, shall provide to you our knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of restaurant design, management, food and beverage preparation, sales promotion, service concepts, employee training, purchasing and inventory control, and such other matters as we deem appropriate. We may provide these services through visits by our representatives to the Franchised Cafe or your offices, online learning programs, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, e-mail communications or other communications. We periodically shall inspect the Franchised Cafe and its operations to assist your operations and ensure compliance with the System. At your request, we may provide special assistance at the Franchised Cafe for which you will be required to pay our fees and charges we may establish from time to time.

9.7 Training Expenses. You are responsible for any travel and living expenses (including meals, transportation, and accommodations), wages, and other expenses incurred by your trainees during any training programs that we require. If we make travel arrangements for our personnel to provide any training or other assistance to you at the Franchised Cafe, and you need to delay their arrival or we delay their arrival because the Franchised Cafe does not have a certificate of occupancy, you must reimburse us for any costs and expenses that we incur in changing our travel arrangements.

9.8 Control by Us. Notwithstanding anything to the contrary in this Section 9 (Training and Guidance), you and we recognize and agree that we do not exercise any day-to-day control of the Franchised Cafe or the Franchised Location, security at the Franchised Location, food preparation, the hiring, disciplining, and firing of employees, or other forms of day-to-day control.

10 PERFORMANCE STANDARDS AND UNIFORMITY OF OPERATION

10.1 Operation of the Franchised Cafe. During the term of this Agreement, you shall operate the Franchised Cafe in strict conformity with the System and the Manual (and such other methods, standards and specifications as we may from time to time prescribe in the Manual or otherwise in writing). You may not use the Franchised Location for any purpose other than the operation of the Franchised Cafe. You acknowledge that every detail of the Franchised Cafe is important to you, us, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all Cafes, and to protect our reputation and goodwill. Furthermore, you agree:

10.1.1 To maintain in sufficient supply, and to use and/or sell at all times, only such menu items, ingredients, products, materials, supplies and paper goods as conform with our standards and specifications, and to refrain from deviating from those standards by the use or offer of non-conforming items, without our prior written consent.

10.1.2 To sell or offer for sale only such menu items, products and services as have been expressly approved for sale in writing by us; to sell or offer for sale all types of menu items, products and services specified by us; to refrain from any deviation from our standards and specifications without our prior written consent; and to discontinue selling and offering for sale any menu items, brands, products or services which we may, in our discretion, disapprove in writing at any time.

10.1.3 To permit us or our agents, at any reasonable time, to remove samples of food or non-food items from your inventory or from the Franchised Cafe, without payment therefor, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether said samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform with our then-current specifications and require you to remove and destroy such item at your sole cost without reimbursement from us.

10.1.4 To purchase and install, at your expense, all Operating Assets, computer software and hardware, and décor items as we may reasonably direct from time to time in the Manual or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Franchised Cafe premises, without our prior written consent, any Operating Assets, computer software and hardware, décor, games, vending machines or other items not previously approved as meeting our standards and specifications.

10.1.5 To sell or offer for sale products and services only at the Franchised Cafe or through Catering Services or Delivery Services in the Protected Area (or any extended area that we have approved).

10.1.6 To refrain from using or locating within the Franchised Cafe any vending machines, racks, electronic, non-electronic or gambling type games, or other items not specifically approved by us in writing prior to such use or location in the Franchised Cafe.

10.1.7 To offer courteous and efficient service and a pleasant ambiance at the Franchised Cafe, consistent with the service and ambiance offered at Cafes operated by us and our affiliates, including music requirements and other ambiance-related items.

10.1.8 To provide to us accurate information as to your volume usage as to any and all ingredients and products used and/or anticipated to be used in the Franchised Cafe, and you authorize us to use and report such information as we deem appropriate in contract negotiations and maintenance and other purposes as we deem appropriate. You further agree that we have the right to enter into vendor contracts and relationships that we believe benefit you and that bind you, all as we deem appropriate.

10.1.9 To purchase, install and update the menu boards, point of purchase and other in-Cafe printed materials that we specify from time to time in the Manual. You acknowledge and agree that these materials are integral to the System. You further agree that we may order these materials and/or Sweep your EDTA for their cost at any time if you fail to place an order or pay for updated items from the approved suppliers of these materials.

10.2 Specifications and Standards. You agree to comply with all mandatory specifications, standards and operating procedures, as modified from time to time (whether contained in the Manual or any other written communication), relating to the appearance, function, cleanliness or operation of a Cafe, including: **(a)** type, quality, taste, weight, dimensions, ingredients, uniformity, and manner of preparation, packaging and sale of food products and beverages; **(b)** sale procedures and customer service; **(c)** advertising and promotional programs; **(d)** qualifications, appearance and dress of employees; **(e)** safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of the Franchised Cafe; **(f)** days and hours of operation; **(g)** bookkeeping, accounting and record keeping systems and forms; **(h)** type, quality, and appearance of paper products, smallwares, and equipment; **(i)** training systems for both management and hourly staff members; and **(j)** information technology software and hardware.

10.3 Proprietary Products. We may, from time to time, in our sole discretion, require that you purchase, use, offer and/or promote, and maintain in stock at the Franchised Cafe in such quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary sauces, products, and other ingredients and raw materials that are manufactured in accordance with our proprietary recipes, specifications and/or formulas and/or uniquely specified or sourced ("**Proprietary Products**"). You shall purchase those Proprietary Products only from us or a third party designated and licensed by us to prepare

and sell such products. We shall not be obligated to reveal such recipes, specifications and/or formulas of such Proprietary Products, or the terms and conditions of any supplier or other contracts, to you, non-designated suppliers, or any other third parties.

10.4 Non-Proprietary Ingredients & Products. We may designate other food products, condiments, beverages, fixtures, smallwares, furnishings, equipment, uniforms, supplies, services, menus, packaging, forms, paper products, hardware, software and other products and equipment other than Proprietary Products that you must use and/or offer and sell at the Franchised Cafe (“**Non-Proprietary Products**”). You may use, offer or sell only such Non-Proprietary Products that we have expressly authorized, and such products must be purchased or obtained from a producer, manufacturer, supplier or service provider that we have approved (“**Approved Supplier**”) or an alternative Approved Supplier that we have designated or approved pursuant to Section 10.4.2 (Supplier Review Process). We shall not be obligated to disclose the terms and conditions, including the pricing, to anyone as to Non-Proprietary Products. We may also determine that certain Non-Proprietary Products (e.g., beverages) shall be limited to a designated brand or brands.

10.4.1 Supplier Qualifications. Each Approved Supplier must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and shall have demonstrated to our reasonable satisfaction: **(a)** its ability to supply a Non-Proprietary Product meeting our specifications, which may include, without limitation, specifications as to brand name, contents, manner of preparation, ingredients, quality, freshness and compliance with governmental standards and regulations; and **(b)** its reliability with respect to delivery and the consistent quality of its products and services.

10.4.2 Supplier Review Process. If you desire to procure Non-Proprietary Products from a supplier other than one previously approved or designated by us, you shall deliver written notice to us, which shall: **(a)** identify the name and address of such supplier; **(b)** contain such information as may be requested by us or required to be provided pursuant to the Manual (which may include reasonable financial, operational and economic information regarding its business); and **(c)** identify the authorized Non-Proprietary Products desired to be purchased from such supplier. We shall, upon your request, furnish specifications for such Non-Proprietary Products if the specifications are not contained in the Manual. We may thereupon request that the proposed supplier furnish us, at no cost to us, product samples, specifications and such other information as we may require. We, or our representatives, including qualified third parties, shall also be permitted to inspect the proposed supplier’s facilities and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for Cafes. As an additional condition of our approval, we may require a supplier to agree in writing to: **(i)** provide, from time to time upon our request, free samples of any Non-Proprietary Product it intends to supply to you; **(ii)** faithfully comply with our specifications for applicable Non-Proprietary Products sold by it; **(iii)** sell any Non-Proprietary Product bearing our Marks only to our franchisees and only pursuant to a trademark license agreement in the form prescribed by us; **(iv)** provide to us duplicate purchase invoices for our records and inspection purposes; **(v)** make the products available to all of our company-operated and franchised Cafes; and **(vi)** otherwise comply with our reasonable requests.

10.4.3 Designation of Alternative Approved Suppliers. We will use our good faith efforts to notify you of our decision within 120 days after our receipt of product samples from the proposed alternative supplier and all other requested information. If we approve the supplier, such supplier shall be designated an “**Alternative Approved Supplier**” for purposes of this Agreement. We reserve the right, at our option, to re-inspect the facilities and products of any Alternative Approved Supplier and to revoke our approval upon the suppliers’ failure to continue to meet any of the foregoing criteria. You or the proposed supplier shall pay to us in advance all of our reasonably anticipated costs in reviewing the application of the Alternate Approved Supplier and all current and future reasonable costs and expenses, including travel and lodging costs, related to inspecting, re-inspecting and auditing the Alternate Approved Suppliers’ facilities, equipment and food products, and all product testing costs paid by us to third parties.

10.5 Supply Chain Management. You must participate in any mandatory supply chain management program that we designate. You must pay for your proportionate share of the costs of any such program that we implement.

10.6 Rebates. We and our affiliates may negotiate purchasing arrangements under which suppliers agree to make equipment, products and services available to Cafes. We and our affiliates may receive fees, rebates, commissions, volume discounts or other payments from third-party suppliers based on your purchases from them.

10.7 Prices. You shall be solely responsible for determining the prices of products offered at the Franchised Cafe; however, you are required to comply with any Marketing Programs that we establish and any maximum or minimum resale pricing restrictions we may implement so long as such pricing does not violate Applicable Laws.

10.8 Test Marketing. We may, from time to time, authorize you to test market products and/or services in connection with the operation of the Franchised Cafe. You shall cooperate with us in connection with the conduct of such test marketing programs and shall comply with our procedures established from time to time in connection with such programs as set forth in the Manual.

10.9 Cafe Management and Personnel.

10.9.1 General Manager. You acknowledge and agree that optimum restaurant performance requires specialized leadership in the form of a duly trained General Manager. The General Manager must be a full-time position and must dedicate 100% of his or her working time to the management of the Franchised Cafe. To ensure the integrity of all Cafes, the General Manager position may not be combined with an area or district manager or any other position.

10.9.2 Managers. You acknowledge and agree that the System requires a minimum number of trained managers in each Cafe to maintain brand standards. For a 6-month period following the opening date, the Franchised Cafe shall at all times be under the on-site supervision of your Operating Partner, Multi-Unit Manager or General Manager and three Managers (one of whom may be a Shift Supervisor if approved by us) who meet all applicable training qualifications for their designated position or title. Thereafter, the Franchised Cafe shall at all times be under the on-site supervision of your Operating Partner, Multi-Unit Manager or General Manager and two Managers (one of whom may be a Shift Supervisor if approved by us) who meet all applicable training qualifications for their designated position or title.

10.9.3 Operating Partner or Multi-Unit Manager. Your Operating Partner or Multi-Unit Manager shall remain active in overseeing the operations of the Franchised Cafe, including, without limitation, regular, periodic visits to the Franchised Cafe and sufficient communications with us to ensure that the Franchised Cafe's operations comply with the operating standards as promulgated by us from time to time in the Manual or otherwise in written or oral communications.

10.9.4 Employees. You shall hire all employees of the Franchised Cafe and be exclusively responsible for the terms of their employment and compensation and the proper training of such employees in the operation of the Franchised Cafe, human resources and customer relations. You shall use your best efforts to ensure that your employees maintain a neat and clean appearance and render competent and courteous service to all customers and fellow employees of the Franchised Cafe. You have sole responsibility and authority for your labor relations and employment practices including, among other things, employee selection, promotion, termination, hours worked, rates of pay and other benefits, work assigned, discipline and working conditions.

10.9.5 Temporary Management.

10.9.5.1. Temporary Managers. If at any time you fail to employ at least three managers that have successfully completed our Initial Training Program, we have the right, in our sole discretion, to send our personnel to the Franchised Cafe to manage the operation of the Franchised Cafe until you hire replacement managers and they have successfully completed our Initial Training Program. Our personnel will have no authority to hire, discipline, fire, promote, demote, or set any terms of

employment (such as wages or benefits) for any of your employees and such decisions shall be made in your sole discretion. For the first 60 days of the placement of our personnel with you pursuant to this Section 10.8.5.1, you shall pay us the salaries (including the cost of fringe benefits, which the parties agree equal 20% of their salaries) and all meals, lodging, other living expenses and transportation costs of our management personnel. Thereafter, you shall pay us double the salaries (including the cost of fringe benefits, which the parties agree equal 20% of their salaries) and all meals, lodging, other living expenses and transportation costs of our management personnel.

10.9.5.2. Temporary Operation. In order to prevent any interruption in the operation of the Franchised Cafe and any injury to the goodwill and reputation that would cause harm to the Franchised Cafe, you authorize us, and we shall have the right, but not the obligation, to operate, or to appoint a designee to operate, the Franchised Cafe for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement, in the event that: **(a)** your Operating Partner is absent or incapacitated by reason of illness or death and you are not, in our sole judgment, able to identify a replacement Operating Partner to perform under this Agreement; **(b)** any allegation or claim is made against the Franchised Cafe, you or the Operating Partner involving or relating to any fraudulent or deceptive practice; **(c)** an Event of Default (as defined in Section 18.2 (Events of Default) occurs; or **(d)** prior to closing, if we exercise our option to purchase your assets after termination or expiration as specified in Section 20 (Option to Purchase).

(i) Revenue and Expenses. During any period in which we or our appointee operates the Franchised Cafe, we or they will retain all revenues from the operation of the Franchised Cafe in a separate account, and we or they will pay the expenses of the Franchised Cafe, including Royalty Fees, marketing contributions and expenditures, compensation for employees and our representatives, and out-of-pocket expenses from that account. We may deduct from the account the salaries (including the cost of fringe benefits, which the parties agree equal 20% of their salaries) and all meals, lodging, other living expenses and transportation costs of our management personnel. In addition, we may charge you a management fee equal to 5% of the Franchised Cafe's Gross Sales during the period of management. If the revenues of the Franchised Cafe are not sufficient to cover these expenses, you will pay us or our appointee on demand, or we may Sweep the designated EDTA to obtain payment of, the amount necessary to pay these expenses in full.

(ii) Responsibilities. If we elect to temporarily operate the Franchised Cafe on your behalf, you hereby agree to indemnify and hold us or our appointees harmless from any and all claims arising from our or their acts and omissions. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations the Franchised Cafe incurs, or to any of your creditors for any products or services the Franchised Cafe purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage the Franchised Cafe and may, in our sole discretion, be prohibited from visiting the Franchised Cafe so as to not interfere with its operations. Our (or our appointee's) management of the Franchised Cafe will continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming the Franchised Cafe's operation and periodically discuss the Franchised Cafe's status with you. You shall maintain in force all insurance policies required by this Agreement during any such period.

10.10 Repair and Maintenance. You shall maintain the Franchised Cafe in a first-class manner and condition, and you shall, at your sole cost, make such repairs to the Franchised Cafe as may be required to maintain the Franchised Cafe in a first-class manner and condition (including without limitation, periodic repainting and/or replacement of obsolete or damaged signs, furnishings, equipment and décor) as we may reasonably direct. If you are not permitted to make certain repairs because such repairs are reserved to the landlord of the Franchised Location as common area maintenance, you shall use diligent efforts to cause the landlord to make such repairs timely and in a workmanlike manner. Except for repairs required to maintain the Franchised Cafe in a first class manner and condition, all other repairs, replacements, additions, and modifications to the Franchised Cafe shall require our prior written consent. You may not make any alterations to the Franchised Cafe that would be different than the original accepted

plans, nor replace any Operating Assets with Operating Assets that are not in accordance with our standards and specifications or are inconsistent with or have caused variation in the accepted plans or the approved Operating Assets, without our prior written approval. We have the right, at your expense, to rectify any replacements, relocations or alterations not previously approved by us in writing.

10.11 Reconstruction. If the Franchised Cafe is damaged or destroyed by fire or other casualty, you must initiate within 30 days (and diligently continue until completion, which shall be accomplished in no more than 120 days) all repairs or reconstruction to restore the Franchised Cafe to its original condition (and all remodeling performed or required to be performed to date), unless your landlord fails to rebuild the premises. If, in our reasonable judgment, the damage or destruction is of such a nature that it is feasible, without incurring substantial additional costs, to repair or reconstruct the Franchised Cafe in accordance with the then-standard Cafe layout and décor specifications, we may require you to repair or reconstruct the Franchised Cafe in accordance with those specifications.

10.12 Inspection by BCF. We and our designees have the right at any reasonable time and without prior notice to: **(a)** inspect the Franchised Cafe; **(b)** observe, photograph, audio-tape and/or video tape the operations of the Franchised Cafe; **(c)** remove samples of any food and beverage products, materials or supplies for testing and analysis; and **(d)** interview personnel and customers of the Franchised Cafe. You agree to cooperate fully with such activities. Following each inspection, we may provide you an inspection report listing your score on the inspection and those conditions at the Franchised Cafe that must be rectified. If you fail to achieve a passing score on an inspection, the inspection report shall constitute a notice of default. You must take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. If you fail to achieve a passing score on the next inspection (which shall be conducted at least 10 days after your receipt of the inspection report for the prior inspection), such failure shall be an Event of Default (as defined in Section 18.2 (Events of Default)).

10.13 Sanitation and Quality Control Programs.

10.13.1 Health and Safety Standards. You shall meet and maintain the highest governmental health standards and ratings applicable to the operation of the Franchised Cafe. You shall furnish to us, within five days after receipt by you, a copy of any inspection report, warning, citation, certificate and/or rating which indicates your failure to meet or maintain the highest applicable governmental health or safety standards in the operation of the Franchised Cafe. You must participate in our then-current food safety audit program and have food safety audits conducted at the Franchised Cafe as frequently as we require at your sole cost.

10.13.2 Sanitation and Food Safety Program. We reserve the right to require your participation in a mandatory sanitation and food safety program relating to the Franchised Cafe (including periodic inspections and evaluations of the Franchised Cafe) in accordance with such rules, terms, and conditions as we deem advisable. We reserve the right to incorporate the rules, terms, and conditions of such sanitation program into the Manual and supplement such rules, terms, and conditions from time-to-time through modifications to the Manual. You acknowledge you may be responsible for some (or all) costs of this sanitation program as it applies to the Franchised Cafe.

10.13.3 Quality Control Programs. We may, in our sole discretion, establish “quality control” programs, such as a “mystery diner” program, other consumer experience evaluation programs, “customer intercept” programs, 800 numbers and employee experience surveys, intercepts, and evaluations, to ensure the highest quality of service and food products in all Cafes. You shall participate in any such quality control programs, including those we add or modify from time to time, and bear your proportionate share, as determined by us in our sole discretion, of the costs of any such program. We shall have access to any data resulting from such programs implemented at the Franchised Cafe, and you shall have access to such data from our company-operated Cafes.

10.14 Technology System.

10.14.1 Acquisition and Updates. You must obtain, maintain, and use the hardware, software, other equipment and accessories, and network connections that we specify periodically in the Manual necessary to operate the point-of-sale system, conduct day-to-day cafe sales operations, record financial and customer data, and communicate with us (collectively, the “**Technology System**”). You must use the Technology System to (a) record all sales, (b) update inventory, (c) enter and manage your customer’s contact information, (d) generate sales reports and analysis relating to the Franchised Cafe, (e) offer free wireless Internet access to customers, and (f) provide other services relating to the operation of the Franchised Cafe. If we require you to use or purchase any proprietary software or hardware or the software or hardware of a designated vendor, you must execute and pay any fees associated with any license agreements or any related maintenance agreements that we or the licensor of the software or hardware require. You must replace, upgrade, or update at your expense the Technology System as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Technology System requirements.

10.14.2 Use of the Technology System. You agree: (a) that your Technology System will be dedicated for business uses relating to the operation of the Franchised Cafe; (b) to use the Technology System in accordance with our policies and operational procedures; (c) to transmit financial and operating data to us as required by the Manual; (d) to do all things necessary to give us unrestricted access to the Technology System at all times (including users IDs and passwords, if necessary) so that we may at any time independently download and transfer data via a modem or other connection that we specify; (e) to maintain the Technology System in good working order at your own expense; (f) to ensure that your employees are adequately trained in the use of the Technology System and our related policies and procedures; and (g) not to load or permit any unauthorized programs or games on any hardware included in the Technology System. You also must comply with all Applicable Laws and payment card provider standards relating to the security of the Technology System, including, without limitation, the Payment Card Industry Data Security Standards. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded or if the Technology System (or any of its components) fails to operate on a continuous basis or as we or you expect.

10.14.3 Technology Services. We reserve the right to require you to engage us or a hardware maintenance and/or help desk support provider approved by us to maintain your Technology System. We reserve the right to charge you a periodic Technology Fee for providing help desk coverage, information technology support and access to our technology platforms, intranets, extranets, Websites and future services that we make available to you as provided in the Manual. If you request and we provide additional technology support, you must pay our then-current hourly rates for such service.

10.15 Customer List. You must create and maintain, in such manner as we may from time to time require, a current customer list (the “**Customer List**”) containing as to each of your customers, such customer’s name, e-mail address, location address, telephone number and zip code (nine digits). You must provide a copy of such list to us on a quarterly basis (or at such other intervals as we may prescribe).

10.16 Crisis Management. To further ensure quality, food safety, overall customer experience, and brand integrity, you must advise us immediately of any crisis so that we may assist you in handling the after effects of such matter, or if we mutually agree, or we deem it necessary, we may take the lead in managing the after effects of such matter. The following circumstances should be reported immediately: (a) alleged food borne illness of one or more persons in any one day in the Franchised Cafe; (b) fire or other building casualty for which customers are evacuated; (c) robbery; (d) any violence at the Franchised Cafe; (e) any other circumstances that have the potential to result in any significant adverse publicity or impact on the System. You must reimburse us for any costs and expenses that we incur in responding to any crisis related to the Franchised Cafe.

10.17 Taxes. You shall promptly pay when due all taxes levied or assessed (including, without limitation, unemployment and sales taxes) and all accounts and other indebtedness of every kind incurred by you in the conduct of the Franchised Cafe under this Agreement. You shall pay to us an amount equal

to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments to us required under this Agreement, unless the tax is credited against income tax otherwise payable by us. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or Applicable Laws; however, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Franchised Cafe and/or Franchised Location (or any improvements thereon).

10.18 Compliance with Laws. You must develop and operate the Franchised Cafe in full compliance with all Applicable Laws including all laws or regulations governing or relating to the handling of food products, menu and nutritional labeling, immigration, discrimination, accessibility of disabled persons, occupational hazards and health insurance, employment (including workers' compensation insurance, unemployment insurance, and the withholding and payment of federal and state income taxes and social security taxes), privacy of data, and taxes. You must secure and maintain, at your sole cost, any and all required state, county, and/or local licenses required for the construction and operation of the Franchised Cafe. You must notify us in writing immediately upon: **(a)** the commencement of any legal or administrative action, or the issuance of an order of any court, agency or other governmental instrumentality that may adversely affect the development, occupancy or operation of the Franchised Cafe or your financial condition; or **(b)** the delivery of any notice of violation or alleged violation of any Applicable Laws, including those relating to health or sanitation at the Franchised Cafe. We will have no responsibility to ensure that the Franchised Cafe is developed and operated in compliance with all Applicable Laws, and we will have no liability in the event the development or operation of the Franchised Cafe violates any Applicable Laws.

10.19 Non-Cash Payment Systems.

10.19.1 Payment Systems and Gift Cards. You shall accept debit cards, credit cards, stored value gift cards, customer loyalty cards, or other non-cash payment systems specified by us to enable customers to purchase authorized products. At all times, you must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, and electronic-fund-transfer systems that we designate as mandatory, and you must not use any such services or providers that we have not approved in writing or for which we have revoked our approval. We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider. You must sign our Gift Card Participation Agreement, which is attached to this Agreement as Appendix F, and any future Gift Card Participation Agreements that we require to designate new vendors or procedures for administering our gift card program. You must comply with our credit-card policies, including minimum purchase requirements for a customer's use of a credit card as prescribed in the Manual.

10.19.2 Electronic Payment Requirements. You agree to comply with our standards for processing electronic payments and any costs to do so are at your expense. You agree to abide by: **(a)** the Payment Card Industry Data Security Standards enacted by the applicable Card Associations (as they may be modified from time to time or as successor standards are adopted); **(b)** the Fair and Accurate Credit Transactions Act; and **(c)** all other standards, Applicable Laws, or any equivalent thereof applicable to electronic payments that may be published from time to time by payment card companies and applicable to electronic payments (collectively, "**Electronic Payment Requirements**"). If required by us or by one of the credit card companies, you shall provide us with evidence of compliance with applicable Electronic Payment Requirements and provide, or make available, to us copies of an audit, scanning results or related documentation relating to such compliance. Any costs associated with an audit or to gain compliance with any Electronic Payment Requirements shall be borne by you. If you know or suspect a security breach, you must immediately notify us. You must promptly identify and remediate the source of any compromise. You assume all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transaction concerning customers of the Franchised Cafe.

10.20 Cafe Data. You agree that all data pertaining to, derived from, or displayed at the Franchised Cafe ("**Cafe Data**"), including data pertaining to customers and potential customers, is deemed to be owned exclusively by us. You must provide the Cafe Data to us at any time that we request you to

do so. You have the right to use Cafe Data during the term of this Agreement, but only in connection with operating the Franchised Cafe and only in accordance with the policies that we establish from time to time. You may not sell, transfer, or use Cafe Data for any purpose other than operating the Franchised Cafe and marketing Corner Bakery Cafe products and services. However, if you Transfer the Franchised Cafe (as provided in Section 15 (Transfers By You)), as part of the Transfer, you may Transfer use of the Cafe Data to the buyer for value. You must protect the Cafe Data in compliance with Applicable Laws and any privacy policies that we specify. You may not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent.

11 INSURANCE

11.1 Procurement of Insurance. You are responsible for all loss or damage arising from or related to your development and operation of the Franchised Cafe and all demands or claims with respect to any loss, liability, personal injury, death, property damage or expense occurring upon the premises of, or arising from the development and/or operation of, the Franchised Cafe. You shall maintain in full force and effect throughout the term of this Agreement that insurance that you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Franchised Cafe, which shall include, at a minimum, insurance policies of the kinds, in the amounts, and containing only the exceptions and exclusions that we specify periodically in the Manual or otherwise in writing. We may reasonably increase the minimum coverage required and/or require different or additional kinds of insurance to reflect inflation, identification of new risks, changes in Applicable Laws or standards of liability, higher damage awards or other relevant changes in circumstances. We will provide to you written notice of such modifications, and upon receipt, you shall take prompt action to secure the additional coverage or higher policy limits.

11.2 Policy Requirements. In addition to our insurance, requirements in the Manual, each insurance policy must (a) be written by an insurance company that has received and maintains at least an “A-” rating by the latest edition of Best’s Insurance Rating Service, (b) be specifically endorsed to provide that the coverages shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory, (c) not contain a provision that in any way limits or reduces coverage for you in the event of a claim by us or our affiliates, (d) must extend to, and provide indemnity for, all of your obligations and liabilities to third parties and all other items for which you are required to indemnify us under this Agreement, and (e) must name us, our affiliates, and any Entity with an insurable interest that we designate as an additional named insured in such policies to the extent each has an insurable interest.

11.3 Evidence of Insurance. No later than 30 days after we sign this Agreement, and on each insurance policy renewal date thereafter, you must submit to us evidence of satisfactory insurance and proof of payment. Upon our request, you must provide to us copies of any policies and policy amendments and riders. If you fail to obtain or maintain at least the insurance required by this Section 11 (Insurance), as revised from time to time pursuant to the Manual or otherwise in writing, we may obtain such insurance and charge its cost to you. Upon your receipt of an invoice from us, you must immediately reimburse us for all out-of-pocket costs incurred by us in obtaining such insurance on your behalf and pay us a reasonable fee for such service.

11.4 No Representations. You acknowledge that no requirement for insurance contained in this Agreement constitutes advice or a representation by us that only such policies, in such amounts, are necessary or adequate to protect you from losses in connection with your business under this Agreement. Maintenance of this insurance, and your performance of your obligations under this Section 11 (Insurance), shall not relieve you of liability under the indemnification provisions of this Agreement.

12 MARKS

12.1 Limited Right To Use Marks. We represent that we have the right to use, and to license others to use, the Marks. We shall, from time to time, advise you as to any additions or deletions to the Marks, and your right to use the Marks shall be deemed modified by those additions or deletions. Your right to use the Marks is limited to your use of the Marks in the operation of the Franchised Cafe at the Franchised

Location and as expressly provided in this Agreement and the Manual. You shall not use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by us in writing as part of any URL, domain name, Website, meta-tag, download, application, posting, social networking profile, directory listing, screen name, anonymous name, blog, vlog, e-mail account, instant messaging account, texting identity, user generated content, or any other identification of you or the Franchised Cafe in any electronic medium (collectively, and individually, “**Electronic Identifiers**”). You shall not use the Marks or any variations of the Marks in any corporate, limited liability company or partnership name. You shall not use any other trade names, service marks or trademarks in conjunction with the Franchised Cafe. If Applicable Laws require that you file an affidavit of doing business under an assumed name or otherwise make a filing indicating that the Marks are being used as a fictitious or assumed name, you shall include in such filing or application an indication that the filing is made “as a franchisee of Best Cafe - Franchises, LLC” You shall use the symbol ® with all registered marks and the symbol ™ with all pending registrations or other marks.

12.2 Modifications to the Marks. If we should elect to use a principal name other than “Corner Bakery Cafe” to identify the System or elect to add to, delete, or modify any of the Marks, we will notify you of any changes to the name or Marks, and you must cease using any disapproved Marks and begin using the newly approved Marks within a reasonable period of time as determined by us. You will bear the sole cost and expense of making these changes, and we shall have no obligation or liability to you as a result of any such changes.

12.3 Your Acknowledgements Concerning the Marks. You agree that nothing in this Agreement gives you any right, title or interest in the Marks (except the right to use the Marks in accordance with the terms of this Agreement), that the Marks are our sole property, that you shall not directly or indirectly contest the validity or ownership of the Marks or our right to license the Marks, and that any and all uses by you of the Marks and the goodwill arising therefrom shall inure exclusively to our benefit. You will not seek to register, reregister, assert claim to ownership of, license or allow others to use, or otherwise appropriate to yourself, any of the Marks or any mark or name confusingly similar thereto, or the goodwill symbolized by any of the foregoing, except to the extent this action inures to our benefit and has our prior written approval. Any unauthorized use of the Marks by you or attempt by you, directly or indirectly, to register the Marks in any jurisdiction shall constitute a breach of this Agreement and an infringement of our rights in and to the Marks.

12.4 Notice of Challenges. You promptly shall inform us in writing as to any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks of which you have knowledge. You shall not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement without first obtaining our written approval. We shall have the right, but not the obligation, to bring such action or take such steps as we may deem advisable to prevent any such infringement and to join you as a party to any action in which we are or may be a party and as to which you are or would be a necessary or proper party. You also shall promptly notify us of any litigation (including administrative or arbitration proceedings) of which you are aware instituted against us, our affiliates or you relating to the Marks. You shall sign any and all instruments and documents, render such other assistance and perform any acts as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interests in the Marks, including, without limitation, our interests in litigation or proceedings before the U.S. Patent and Trademark Office or other tribunal relating to the Marks. We agree to reimburse you for all costs and expenses related to any actions taken by you in conjunction with this Section 12.4.

12.5 Indemnification for Use of Marks. We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding challenging your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Manual, and any other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

13 YOUR ORGANIZATION AND MANAGEMENT

13.1 Your Organization.

13.1.1 Entities. If you are not an individual, you must be an Entity formed and used for the purpose of developing and holding a franchise to operate the Franchised Cafe. You represent, warrant and agree that: **(a)** you are duly organized and validly existing under the Applicable Laws of the state of your organization; **(b)** you are duly qualified to transact business in the state in which the Franchised Cafe is located; **(c)** your governing documents permit execution of this Agreement and the development and operation of the Franchised Cafe; and **(d)** unless waived in writing by us, your governing documents shall at all times provide that your activities are restricted to those necessary solely for the development, ownership and operation of the Franchised Cafe in accordance with this Agreement and any other agreements entered into with BCF or our affiliates.

13.1.2 Individuals and Partnerships. If you are an individual, a group of individuals or a partnership comprised solely of individuals, you make the following additional representations and warranties: **(a)** each individual has executed this Agreement; **(b)** each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and **(c)** notwithstanding any Transfer for convenience of ownership, pursuant to Section 15.6 (Transfers for Convenience of Ownership), each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement.

13.2 Governing Documents. Upon request by us, you shall promptly deliver to us, as applicable, true and complete copies of the articles or certificate of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control and all amendments thereto. When any of these governing documents are modified or changed, you promptly shall provide copies to us. You may not change the form of your Entity unless we mutually agree in writing that such a change is warranted.

13.3 Restrictive Legend. If you are a corporation, you shall maintain stop-transfer instructions against the transfer on the records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of this stock is subject to the restrictions imposed on assignment by the Corner Bakery Cafe Franchise Agreement(s) to which the corporation is a party." If you are a publicly held corporation, these requirements shall apply only to the stock owned by your Continuity Group (as defined in Section 13.4.2 (Continuity Group)). If you are a limited liability company, each membership or management certificate shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by the Corner Bakery Cafe Franchise Agreement(s) to which the limited liability company is a party." If you are a partnership, your written partnership agreement shall provide that ownership of an interest in the partnership is held, and that further assignment or transfer thereof, is subject to all restrictions imposed on assignment by this Agreement.

13.4 Ownership Interests and Continuity Group.

13.4.1 Owners. If you are an Entity, Appendix B identifies your ownership interests. In addition, if you are a corporation, you shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of the corporation (and the number of shares owned by each). If you are a limited liability company, you shall maintain a current list of all members (and the percentage membership interest of each member). If you are a partnership, you shall maintain a current list of all owners of an interest in the partnership (and the percentage ownership of each owner). You shall comply with the requirements of Section 15 (Transfers By You) prior to any change in ownership interests and shall sign addenda to Appendix B as changes occur in order to ensure the information contained in Appendix B is true, accurate and complete at all times.

13.4.2 Continuity Group. If you are an Entity, Appendix B lists those persons whom you and we have designated as your “**Continuity Group**.” In the event of any change in the Continuity Group or in the ownership interests of any member of the Continuity Group, you shall sign addenda to Appendix B to reflect the change. If you are a corporation, the Continuity Group shall at all times own at least 66% of your voting securities; if you are a limited liability company, the Continuity Group shall at all times own at least 66% of your membership interests; and if you are a partnership, the Continuity Group shall at all times have at least a 66% interest in the operating profits and losses and at least a 66% ownership interest in you. The requirements of Section 13.4.1 (Owners) shall apply only to your Continuity Group if, as of the date of the first franchise-related agreement between you and us and/or one of our affiliates, you were a publicly-held Entity (*i.e.*, an Entity that has a class of securities traded on a recognized securities exchange or quoted on the inter-dealer quotation sheets known as the “pink sheets”). If you become a publicly held Entity after that date, you shall thereafter be required to sign addenda to Appendix B only with respect to changes in ownership interests of the Continuity Group.

13.5 Personal Guaranty.

13.5.1 Guaranty. All members of the Continuity Group, Principals, and your Controlling Principal must jointly and severally personally guarantee your payment and performance under this Agreement and personally bind themselves to the terms of this Agreement pursuant to the attached Personal Guaranty. If any Principal is an Entity, we shall have the right to require individuals who have only an indirect ownership interest in you to sign the Personal Guaranty. We reserve the right, in our sole discretion, to waive the requirement that some or all of the previously described individuals sign the attached Personal Guaranty or to require other individuals affiliated with you to sign the Personal Guaranty. We reserve the right to require any guarantor to provide personal financial statements to us from time to time.

13.5.2 Cross-Guarantee. If you, any Principal, guarantor or any parent, subsidiary or affiliate of yours holds any interest in other restaurants that are franchised by BCF or our affiliates, the party who owns that interest shall sign, concurrently with this Agreement, a form of cross-guarantee to BCF and our affiliates for the payment of all obligations for such restaurants, unless waived in writing by us in our sole discretion. For purposes of this Agreement, an affiliate of yours is any company controlled, directly or indirectly, by you or your parent or subsidiary.

13.6 Controlling Principal. If you are owned by more than one individual, you must designate one of your owners as your Controlling Principal who will be the person with whom we communicate and whom will have the authority to bind you with respect to all financial and operational matters related to the Franchised Cafe. The Controlling Principal must be a member of your Continuity Group who at all times has at least a 10% equity ownership interest in you. The Controlling Principal may also serve as the Operating Partner or Multi-Unit Manager. You must designate a replacement within 30 days after your Controlling Principal ceases to qualify as a Controlling Principal.

13.7 Operating Partner. You must designate an individual whom we have approved to serve as your “**Operating Partner**.” The Operating Partner as of the date of this Agreement is identified in Appendix B. The Operating Partner will be the person with whom we communicate as to operational matters and must have the authority to bind you with respect to all operational decisions relating to the Franchised Cafe. The Operating Partner must be a Principal, unless you were a publicly held Entity or a wholly owned subsidiary of a publicly held Entity as of the date of the first franchise-related agreement between you and us. The Operating Partner must have full control over and devote his or her best efforts to supervising the day-to-day operation of the Franchised Cafe and all other franchised Cafes that you operate (unless you have named and we have approved a Multi-Unit Manager) and must maintain a primary residence within a 100-mile radius of the Franchised Cafe. The Operating Partner shall not, without our prior written approval, engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under this Agreement. You agree to provide us with an executed copy of any arrangement, agreement or contract, and all amendments thereto, between you and your Operating Partner related to the operation of the Franchised Cafe. If the Operating Partner no longer qualifies as such, you must designate, and obtain our written

approval of, another qualified person to act as the Operating Partner within 30 days after the date the prior Operating Partner ceases to be qualified.

13.8 Multi-Unit Manager. If you or your affiliates own or control more than three franchised Cafes and your Operating Partner requests our consent to devote less than full time to supervising the operation of the Cafes, you must designate an individual whom we have approved to serve as the “**Multi-Unit Manager**” of up to six Cafes under the supervision of the Controlling Principal. You must designate additional Multi-Unit Managers if you operate more than six Cafes. The Multi-Unit Manager must devote full time and best efforts to supervising the operation of the Cafes and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under this Agreement. You agree to provide us with an executed copy of any arrangement, agreement or contract, and all amendments thereto, between you and your Multi-Unit Manager related to the operation of the franchised Cafes. If the Multi-Unit Manager no longer qualifies as such, you must designate and obtain our written approval of, another qualified person to act as Multi-Unit Manager within 30 days after the date the prior Multi-Unit Manager ceases to be qualified.

14 TRANSFERS BY US

We shall have the absolute, unrestricted right, exercisable at any time, to transfer and assign all or any part of our rights and obligations under this Agreement to any person or Entity without your consent.

15 TRANSFERS BY YOU

15.1 Our Prior Written Consent Required. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and that we have entered into this Agreement in reliance on your and your Principals’ business skill, financial capacity, personal character, experience and demonstrated or purported ability to develop and operate high quality foodservice operations. Accordingly, neither you, your Principals, nor any immediate or remote successor to any part of your interest in this Agreement shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in you, this Agreement, the Franchise, substantially all the assets of the Franchised Cafe, the Franchised Location or any other assets pertaining to your operations under this Agreement (collectively “**Transfer**”) without obtaining our prior written consent. Notwithstanding the foregoing, you may grant a security interest in, or otherwise encumber certain assets of the Franchised Cafe, excluding the Franchise Agreement, in connection with obtaining financing for the development and/or operation of the Franchised Cafe or equipment leasing, if such financing satisfies our requirements, which may include, without limitation, execution of agreements by us, you and your owners and your secured creditor, in a form satisfactory to us, acknowledging such creditor’s obligations to be bound by the terms of this Section 15 (Transfers By You). Except as otherwise provided in this Agreement, any purported Transfer, by operation of law or otherwise, not having our prior written consent shall be null and void and shall constitute a material breach of this Agreement, for which we may terminate this Agreement without providing you an opportunity to cure the breach.

15.2 Transfer Considerations. You shall advise us in writing of any proposed Transfer and submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, a copy of all contracts and all other agreements or proposals, and all other information requested by us relating to the proposed Transfer. If we do not exercise our right of first refusal as described in Section 15.9 (Our Right of First Refusal), the decision as to whether or not to consent to a proposed Transfer shall be made by us in our sole discretion and shall include numerous factors deemed relevant by us. These factors may include, but will not be limited to, the following:

15.2.1 You and your Principals and affiliates must be in compliance with the provisions of this Agreement and all other agreements with us and our affiliates.

15.2.2 All of your accrued monetary obligations to us and our affiliates (whether arising under this Agreement or otherwise) and all other outstanding obligations related to the Franchised Cafe

(including, but not limited to, bills from suppliers, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied or, in our reasonable judgment, adequately provided for. We may require you to place a reasonable sum of money in escrow to ensure that all of these obligations are satisfied.

15.2.3 The proposed transferee must: be an Entity, and its owners must provide to us on a timely basis all information that we request. The proposed transferee must meet our then-current criteria for new franchisees and be approved by us, and the proposed transferee's owners must be individuals who are of good character and reputation and who have sufficient business experience, aptitude and financial resources to operate the Franchised Cafe.

15.2.4 The proposed transferee's Controlling Principal, Operating Partner, Multi-Unit Manager (if applicable) General Manager, Managers, managers and any other personnel whom we designate must complete our initial training program or must be currently certified by us to operate and/or manage a Cafe to our satisfaction.

15.2.5 You and all guarantors of your obligations must execute a general release and a covenant not to sue, in a form satisfactory to us, of any and all claims against us and our affiliates and our respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under Applicable Laws, and claims arising out of, or relating to, this Agreement, any other agreements between you and us or our affiliates and your operation of the Franchised Cafe and all other franchised Cafes that you operate.

15.2.6 The debt service shall not be so high, in our reasonable judgment, as to jeopardize the ability of the proposed transferee to develop, maintain, operate and promote the Franchised Cafe and meet financial obligations to us, third party suppliers and creditors. Our decision with respect to a proposed Transfer shall not create any liability on our part: **(a)** to the proposed transferee, if we consent to the Transfer and the proposed transferee experiences financial difficulties; or **(b)** to you or the proposed transferee, if we disapprove the Transfer pursuant to this Section 15. We, without any liability to you or the proposed transferee, have the right, in our sole discretion, to communicate with, and counsel, you and the proposed transferee regarding any aspect of the proposed Transfer.

15.2.7 The proposed transferee must obtain a Possessory Interest in the Franchised Location and obtain all required licenses from all applicable authorities for the Franchised Cafe.

15.2.8 If you (or any of your Principals or affiliates, if applicable) finance any part of the sale price of the transferred interest, you and/or your Principals or affiliates must agree that all obligations of the proposed transferee to you (and/or your Principals or affiliates, as applicable), and any security interests reserved by you (and/or your Principals or affiliates, as applicable) in the assets transferred will be subordinate to the proposed transferee's obligations to pay all amounts due to us and our affiliates and to comply otherwise with this Agreement or any Franchise Agreement signed by us and the proposed transferee.

15.2.9 You and your Principals must sign a non-competition covenant, in form and substance satisfactory to us, in favor of us and the proposed transferee agreeing that, for a period of two years, starting on the effective date of the Transfer, you and your Principals will not directly or indirectly, such as through members of their immediate families (including a spouse, parent, sibling or adult child, whether natural or adopted), own any legal or beneficial interest in, or render services or give advice to any Competitive Business (as defined in Section 17.2.2.1) that is located within a 10-mile radius of the Franchised Cafe or any Cafe that is operating or under development at the time of such Transfer; provided, however that such restriction will not apply to ownership of less than a 10% legal or beneficial ownership in the outstanding equity securities of any publicly held corporation by you or your Principals.

15.2.10 You and your Principals must sign such other documents and do such other things as we may reasonably require to protect our rights under this Agreement.

15.3 Transfer Procedures. If we consent to a proposed Transfer, prior to the Transfer becoming effective:

15.3.1 the transferee and its owners must enter into an assignment agreement and any amendments to this Agreement that we require and agree to be bound by all of the provisions of this Agreement for the remainder of the Initial Term or, at our option, sign our then-current Franchise Agreement, which may provide for different Royalty Fees, marketing contributions and expenditures, duration and other rights and obligations than those provided in this Agreement;

15.3.2 the transferee's owners must sign a personal guaranty of the transferee's obligations; and

15.3.3 you or the transferee must pay us a Transfer fee equal to \$7,500 (or the amount set forth in our then-current Franchise Agreement used for new franchises), plus our costs, including our outside counsel costs, in connection with any such Transfer.

15.4 Effect of Our Consent. Our consent to a Transfer does not constitute: **(a)** a representation as to the fairness of the terms of any agreement or arrangement between you or your Principals and the transferee or the prospects of the transferee's success in operating the Franchised Cafe; or **(b)** a release of you and your Principals, a waiver of any claims against you or your Principals or a waiver of our right to demand the transferee's compliance with this Agreement. Our consent to any Transfer shall apply only to the specific Transfer being proposed and shall not constitute consent to, or have any bearing on, any other proposed Transfer. Our consent to a Transfer will not create any liability on our part to the transferee, if the transferee experiences financial difficulties, and our refusal to consent to a Transfer will not create any liability on our part to you, your Principals, or the transferee, if our refusal is pursuant to this Section 15 (Transfers By You). We, without incurring any liability to you or the transferee, have the right, in our sole discretion, to communicate with, and counsel, you (and your Principals), the transferee (and its owners) and either party's representatives regarding any proposed Transfer.

15.5 Permitted Transfers. Notwithstanding the provisions of Section 15.1 (Our Prior Written Consent Required) and 15.2 (Transfer Considerations), we agree that certain Transfers shall be permitted without our prior written approval and without the payment of a Transfer fee, provided all of the following conditions are satisfied:

15.5.1 The Transfer is a transfer of:

15.5.1.1. a minority percentage of ownership interests in you if, after the Transfer, the Continuity Group owns at least 66% of your voting securities if you are a corporation; the Continuity Group owns at least 66% of the membership interests in you if you are a limited liability company; or the Continuity Group owns at least a 66% interest in your operating profits and losses as well as at least a 66% ownership interest in you if you are a partnership.

15.5.1.2. ownership interests in you following the death or permanent disability of any of your Principals or your Operating Partner, provided that the Transfer is to the parent, sibling, spouse or adult children of that person or to a member of the Continuity Group. Such Transfer shall be completed within a reasonable time, not to exceed six months from the date of death or permanent disability. Failure to complete the Transfer within this period of time will constitute a breach of this Agreement. A person shall be deemed to have a "permanent disability" if his personal, active participation in the development and operation of the Franchised Cafe is for any reason curtailed for a continuous period of six months.

15.5.2 You provide to us written notice of your intent to undertake the Transfer at least 30 days prior to the effective date of the Transfer, together with any documents that we may request demonstrating that the Transfer meets the requirements of this Section 15.5 (Permitted Transfers). You agree to pay our legal fees and expenses associated with reviewing your Entity and ownership documents,

preparing any addenda to this Agreement and for conducting background checks on each of your proposed new owners.

15.5.3 At the time of your notice to us, you shall not be in material default of this Agreement or any other agreements between you and BCF or our affiliates beyond any applicable cure period.

15.5.4 Our right of first refusal described in Section 15.9 (Our Right of First Refusal) shall not apply to Permitted Transfers under this Section 15.5 (Permitted Transfers).

15.6 Transfers for Convenience of Ownership. Neither our right of first refusal described in Section 15.9 (Our Right of First Refusal) nor our right to collect a Transfer fee as provided by Section 15.3.3 shall apply to any Transfer of this Agreement by an individual, a group of individuals or a partnership comprised solely of individuals to a corporation (or limited liability company) formed for the convenience of ownership. Our approval of such a Transfer also will be conditioned on the following: (a) the corporation (or limited liability company) must be newly organized; (b) prior to the Transfer, you must provide us with a copy of the documents specified in Section 13.2 (Governing Documents) and the transferee shall comply with the remaining provisions of Section 15 (Transfers By You); and (c) each owner shall have the same proportionate ownership interest in the corporation (or the limited liability company) as prior to the Transfer.

15.7 Offerings by You. Securities or partnership interests in you may be sold, by private placement or public offering, only with our prior written consent (whether or not our consent is required under any other provision of this Agreement), which consent shall not be unreasonably withheld. In addition to the requirements of Section 15.2 (Transfer Considerations), prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you, at your expense, shall deliver to us a copy of the offering documents. You, at your expense, also shall deliver to us an opinion of your legal counsel and an opinion of one other legal counsel selected by us (both of which shall be addressed to us and in a form acceptable to us) that the offering documents properly use the Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section 22 (Indemnification) also shall include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public offering or private placement of your securities.

15.8 Changes in Ownership of Voting Securities. If you were a publicly-held Entity as of the Effective Date, Section 15.2 (Transfer Considerations) shall be applicable to Transfers of ownership interests in you only if the proposed Transfer would result in: (a) 50% or more of your voting securities being held by different shareholders than as of the Effective Date; (b) any change in ownership of your voting securities whereby any existing shareholder acquires an additional 10% or more of your voting securities; or (c) any change in the membership of the Continuity Group (unless such change is a permitted Transfer pursuant to Section 15.5 (Permitted Transfers)).

15.9 Our Right of First Refusal.

15.9.1 Delivery of Offer. If you or any of your Principals desire to undertake a Transfer for legal consideration, you or such Principal must obtain a bona fide, signed written offer from a responsible and fully disclosed purchaser and must deliver immediately to us a complete and accurate copy of such offer, including price and payment terms. If the offeror proposes to buy any other property or rights from you or any of your Principals or affiliates (other than rights under this Agreement) as part of the bona fide offer, the proposal for such property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us. In addition, upon our request, you must also provide to us copies of all materials and information provided to the potential purchaser.

15.9.2 Exercise of Right. We have the right, exercisable by notice delivered to you or your Principals within 30 days after our receipt of a complete and accurate copy of such offer, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (a) we may substitute cash for any form of payment proposed in such offer; (b) our credit shall be deemed equal

to the credit of any proposed purchaser; **(c)** we shall not be obligated to pay any finder's or broker's fees; and **(d)** we will have not less than 90 days from the date we exercise the right to close on the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of the proposed transaction. We may conduct such investigation and analysis in any manner we deem reasonably appropriate, and you and your Principals must cooperate fully with us. If we exercise our right of first refusal, we are entitled to set off any monies owed by you to us and purchase such interest, subject to all representations, warranties, closing documents and indemnities as we reasonably may require, provided that, if we exercise our option as a result of a written offer reflected in a fully negotiated, definitive agreement with the proposed purchaser, we will not be entitled to any additional representations, warranties, closing documents or indemnities that will have a materially adverse effect on your rights and obligations under the definitive agreement.

15.9.3 Failure to Exercise Right. Our failure to exercise our right of first refusal shall not constitute approval of the proposed Transfer nor a waiver of any other provision of this Section 15 (Transfers By You) with respect to a proposed Transfer. If we do not exercise our right of first refusal, you or your Principals may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our consent to the Transfer as provided in Section 15.2 (Transfer Considerations), provided that if the sale to such offeror is not completed within 100 days after receipt of our notice of our decision not to exercise our right of first refusal, or if there is a material change in the terms of the offer, you must promptly notify us, and we will have an additional right of first refusal (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following your notification of the expiration of the 100-day period or the material change to the terms of the offer.

16 GENERAL RELEASE

You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Franchisee Releasors**") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**BCF Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Franchisee Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under Applicable Laws and claims arising out of, or relating to this Agreement and all other agreements between any Franchisee Releasor and any BCF Releasee, the sale of any franchise to any Franchisee Releasor, the development and operation of the Franchised Cafe and the development and operation of all other restaurants operated by any Franchisee Releasor that are franchised by any BCF Releasee. You expressly agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise impair or affect any claims arising after the date of this Agreement.

17 COVENANTS

17.1 Confidentiality.

17.1.1 Confidential Information. Pursuant to this Agreement, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, or the construction, management, operation, or promotion of the Cafes ("**Confidential Information**"), which may include the following: **(a)** ingredients, recipes and methods of preparation and presentation of authorized food products; **(b)** site selection criteria for Cafes and plans and specifications for the development of Cafes; **(c)** sales, marketing and advertising programs and techniques for Cafes; **(d)** identity of suppliers and knowledge of specifications, processes, procedures and equipment, contract terms, and pricing for authorized food

products, materials, supplies and equipment; **(e)** knowledge of operating results and financial performance of Cafes, other than franchised Cafes that you own; **(f)** methods of inventory control, storage, product handling, training and management relating to Cafes; **(g)** computer and point-of-sale systems and software programs used or useful in Cafes; and **(h)** any information that we provide you that we designate from time to time as confidential or proprietary. "Confidential Information" does not include **(i)** information that is part of the public domain or becomes part of the public domain through no fault of you, **(ii)** information disclosed to you by a third party having legitimate and unrestricted possession of such information, or **(iii)** information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the parties began discussing the sale of the franchise.

17.1.2 Nondisclosure of Confidential Information. You acknowledge and agree that: **(a)** we own all right, title and interest in and to the System; **(b)** the System consists of trade secrets, Confidential Information and know-how that gives us and our affiliates a competitive advantage; **(c)** we and our affiliates have taken all measures necessary to protect the trade secrets, Confidential Information and know-how comprising the System; **(d)** all Confidential Information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence; **(e)** you shall not, during the Term or at any time thereafter, communicate or disclose any Confidential Information to anyone who is not an employee, agent or independent contractor of yours; **(f)** you will disclose to your employees, agents, or independent contractors only those parts of the System that such person needs to know; **(g)** you will have a system in place to ensure that your employees, agents and independent contractors keep confidential our trade secrets and Confidential Information, and, if requested by us, you shall obtain from those of your employees designated by us an executed Confidentiality Agreement in the form prescribed by us; **(h)** you will be liable to us for any unauthorized use or disclosure of Confidential Information by any employee or other person to whom you disclose Confidential Information; **(i)** you will not acquire any ownership interest in the System or the Confidential Information; and **(j)** your use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

17.1.3 Confidentiality of this Agreement. The specific terms of this Agreement and all other agreements entered into by the parties and all drafts, amendments, attachments and exhibits to such agreements, (collectively referred to as "this Agreement" for purposes of this provision) are confidential and shall not be disclosed by any party without mutual agreement of the parties evidenced by a signed writing by all parties, except as we deem desirable or necessary to meet our financing and sales of securities needs or as necessary to comply with Applicable Laws. Either party may disclose the specific terms of this Agreement to its respective accountants, attorneys and professional advisors.

17.2 Noncompete.

17.2.1 Acknowledgements. You acknowledge and agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Cafes if franchisees were permitted to hold interests in Competitive Businesses (as defined in Section 17.2.2.1); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

17.2.2 During the Term. During the Term, you and your Principals will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

17.2.2.1. own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any business **(i)** in the casual dining market or fast-casual segment of the restaurant industry that is substantially engaged in the selling of artisan baked breads, salads, sandwiches, soups, baked goods and/or coffee; or **(ii)** whose method of operation or trade dress is similar to that employed in the Corner Bakery Cafe System; or **(iii)** that grants franchises or licenses for any of these types of businesses (collectively, each, a **“Competitive Business”**) at any location in the United States;

17.2.2.2. divert or attempt to divert any business or customer or potential business or customer of any Cafe to any Competitive Business, by direct or indirect inducement or otherwise;

17.2.2.3. perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

17.2.2.4. use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Franchised Cafe; or

17.2.2.5. sell, assign, lease or transfer the Franchised Location to any person or Entity that you know, or have reason to know, intends to operate a Competitive Business at the Franchised Location.

17.2.3 After Termination, Expiration, or Transfer. For two years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you and your Principals may not, without our prior written consent, **(a)** directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within the Protected Area or within 10 miles of any Cafe that is operating or under development at the time of such expiration, termination, or Transfer; or **(b)** sell, assign, lease or transfer the Franchised Location to any person or Entity that you know, or have reason to know, intends to operate a Competitive Business at the Franchised Location. With respect to the Principals, the time period in this Section 17.2.3 will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Principal's relationship with you, whichever occurs first.

17.2.4 Exceptions. The restrictions in this Section 17.2 (Noncompete) shall not apply to your existing restaurant or foodservice operations, if any, which are identified in Appendix A, nor shall it apply to other restaurants operated by you that are franchised by us or our affiliates. Ownership of less than five percent of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 17.2.

17.2.5 Enforcement of Covenants. You acknowledge and agree that **(a)** the time, territory, and scope of the covenants provided in this Section 17.2 (Noncompete) are reasonable and necessary for the protection of our legitimate business interests; **(b)** you have received sufficient and valid consideration in exchange for those covenants; **(c)** enforcement of the same would not impose undue hardship; and **(d)** the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 17.2.

17.3 Covenants of Principals and Employees. The Principals personally bind themselves to this Section 17 (Covenants) by signing this Agreement or the attached Guaranty. We may, in our sole discretion, require you to obtain from your officers, directors, Multi-Unit Managers, managers, Principals' spouses, and other individuals that we may designate executed agreements containing nondisclosure covenants similar in substance to those contained in this Section 17 as we prescribe in the Manual and otherwise. The agreements must be in a form acceptable to us and specifically identify us as having the independent right to enforce them. A copy of our current form of agreement is attached as Appendix D.

18 DEFAULT AND TERMINATION

18.1 Material Obligations. You acknowledge and agree that each obligation described in this Agreement is a material and essential obligation of yours; that nonperformance of any such obligation will adversely and substantially affect us and the System; and that our exercise of any of the rights and remedies set forth in this Section 18 (Default and Termination) are appropriate and reasonable.

18.2 Events of Default. Any one of more of the following constitutes an “**Event of Default**” under this Agreement:

18.2.1 You fail to obtain a Possessory Interest in the Accepted Site by the Site Acquisition Deadline or fail to open the Franchised Cafe by the Opening Deadline.

18.2.2 You cease to operate continuously the Franchised Cafe for a period in excess of three consecutive days, unless the closing is due to fire, flood, earthquake or other similar causes beyond your control or is approved in writing in advance by us.

18.2.3 You are insolvent or unable to pay your creditors (including us); you file a petition in bankruptcy, an arrangement for the benefit of creditors, or a petition for reorganization; there is filed against you a petition in bankruptcy, an arrangement for the benefit of creditors, or petition for reorganization that is not dismissed within 60 days of the filing; you make an assignment for the benefit of creditors; a receiver or trustee is appointed for you and not dismissed within 60 days of the appointment; execution is levied against your business or property; suit to foreclose any lien or mortgage against the premises or equipment of the Franchised Cafe is instituted against you and is not dismissed within 60 days; or the real or personal property of the Franchised Cafe is sold or scheduled to be sold after levy thereupon by any sheriff, marshal or constable.

18.2.4 You allow a judgment in excess of \$25,000 against you to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed).

18.2.5 There is a material breach by you or any of your Principals of any covenant or obligation under Section 17 (Covenants).

18.2.6 Any Transfer that requires our prior written consent occurs without your having obtained that prior written consent.

18.2.7 We discover that you made a material misrepresentation in or omitted a material fact from the information that you provided to us in connection with our decision to enter into this Agreement, including any representation or warranty set forth in Sections 30.1 (Truth of Information), 30.2 (Signatories to this Agreement), or 30.3 (Terrorist Acts).

18.2.8 You knowingly falsify any report required to be furnished to us or make any material misrepresentation in your dealings with us or fail to disclose any material facts to us.

18.2.9 We make a reasonable determination that your continued operation of the Franchised Cafe will result in an imminent danger to public health or safety.

18.2.10 You lose possession of the Franchised Location through your own fault or your failure to extend the Lease for the Franchised Location through the Initial Term.

18.2.11 You, your Operating Partner, any member of the Continuity Group, or any Principal are convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we believe is likely to have an adverse effect on our franchise system, the Marks and any associated goodwill, or the Corner Bakery Cafe concept (an “**Adverse Effect**”) or you,

any Owner, or any of your officers or directors has engaged in or engages in activities that, in our reasonable opinion, have an Adverse Effect.

18.2.12 You misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated with the Marks or our rights in the Marks.

18.2.13 You fail or refuse to have the Required Trainees attend and successfully complete the training programs described in Section 9 (Training and Guidance).

18.2.14 Any assets, property, or interests of yours or your Principals are blocked under any Applicable Laws relating to terrorist activities, or you or any Principal violate any such Applicable Laws.

18.2.15 You fail to achieve a passing score on two consecutive inspections.

18.2.16 You fail to timely file any periodic report required in this Agreement or the Manual three or more times in a 12-month period, whether or not you subsequently cure the default.

18.2.17 You fail to pay when due any taxes or assessments relating to the Franchised Cafe or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization.

18.2.18 You, your Operating Partner, any member of the Continuity Group or any Principal: **(a)** remain in default beyond the applicable cure period (if any) under any other agreement with us or our affiliates (provided that, if the default is not by you, we shall provide to you written notice of the default and a 30-day period to cure the default), except for a default under a Development Agreement; or **(b)** remain in material default beyond the applicable cure period (if any) under any real estate lease, equipment lease, financing instrument, or supplier contract relating to the Franchised Cafe.

18.2.19 You default in the payment of any monies owed to us when such monies become due and payable and you fail to pay such monies within 10 days after receiving written notice of default.

18.2.20 You breach or fail to comply with any other covenant, agreement, standard, procedure, practice, or rule prescribed by us, whether contained in this Agreement, in the Manual, or otherwise in writing and fail to cure such breach or failure to our satisfaction within 30 days (or such longer period as Applicable Laws may require) after we provide you with written notice of the default.

18.2.21 You default three or more times within any 12-month period, whether or not the defaults are similar and whether or not they are cured.

18.3 Our Remedies After An Event of Default.

18.3.1 Right to Terminate. If an Event of Default occurs, we may, at our sole election and without notice or demand of any kind, declare this Agreement and any and all other rights granted under this Agreement to be immediately terminated and, except as otherwise provided herein, of no further force or effect. Upon termination, you will not be relieved of any of your obligations, debts, or liabilities under this Agreement, including without limitation any debts, obligations, or liabilities that you accrued prior to such termination.

18.3.2 Other Remedies. If an Event of Default occurs, we may, at our sole election and upon delivery of written notice to you, take any or all of the following actions without terminating this Agreement:

18.3.2.1. temporarily or permanently reduce the size of the Protected Area, in which event the restrictions on us and our affiliates under Section 1.2.1 (Protected Area) will not apply in the geographic area that was removed from the Territory;

18.3.2.2. temporarily remove information concerning the Franchised Cafe from the Corner Bakery Cafe website and/or stop your or the Franchised Cafe's participation in any other programs or benefits offered on or through website;

18.3.2.3. suspend your right to participate in one or more programs or benefits that any of the Funds provide;

18.3.2.4. suspend any other services that we or our affiliate provides to you under this Agreement or any other agreement or suspend our performance of, or compliance with, any of our obligations to you under this Agreement or other agreements;

18.3.2.5. suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

18.3.2.6. undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement. You will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty; and/or

18.3.2.7. enter the Franchised Cafe's premises and assume the management of the Franchised Cafe ourselves or appoint a third party (who may be our affiliate) to manage the Franchised Cafe in accordance with Section 10.8.5.2 (Temporary Operation).

18.3.3 Exercise of Other Remedies. Our exercise of our rights under Section 18.3.2 (Other Remedies) will not **(a)** be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement, **(b)** constitute an actual or constructive termination of this Agreement, or **(c)** be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement following our exercise of any of these rights. If we exercise any of our rights under Section 18.3.2 we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

18.4 Early Termination Damages.

18.4.1 Damages. If you default on your obligations and we terminate this Agreement prior to the expiration of the Initial Term of this Agreement, it is hereby agreed by the parties that the amount of damages which we would incur for any such termination of this Agreement would be difficult, if not impossible, to accurately ascertain. Accordingly, within 30 days following such termination, you and your Principals shall pay to us an amount equal to the average Royalty fees, National Marketing Fund contributions, Regional Marketing Fund contributions, and Brand Development Fees that you owed for the one year period prior to termination (or, if the Franchised Cafe was open for less than a year, the average Royalty fees, National Marketing Fund contributions, Regional Marketing Fund contributions, and Brand Development fees owed by you for the number of Reporting Periods that the Franchised Cafe was in operation) multiplied by the lesser of four years or the number of years (including any partial year) remaining in the Initial Term of this Agreement. These early termination damages shall constitute liquidated damages and are not to be construed as a penalty and shall be the joint and several liability of you and your Principals.

18.4.2 Acknowledgements. The parties acknowledge and agree that: **(a)** the early termination damages are a reasonable estimation of the damages that would be incurred by us resulting from or arising out of the premature termination of this Agreement; and **(b)** your payment of such early termination damages is intended to fully compensate us only for any and all damages related to or arising

out of the premature termination of this Agreement by us, and shall not constitute an election of remedies, waiver of any default under this Agreement, nor waiver of our claim for other damages and/or equitable relief arising out of your breach of this Agreement. The imposition of early termination damages shall be at our option. We are not required to impose early termination damages and may, in addition or in lieu thereof, pursue other remedies available to us under the terms and conditions of this Agreement, in equity or at law in the event of your default under this Agreement, including, without limitation, actual damages incurred by us, if such can be ascertained. All such remedies shall be cumulative and non-exclusive.

18.5 Statutory Limitations. If any Applicable Laws over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section 18 (Default and Termination), this Agreement shall be deemed amended to conform to the minimum notice or cure period required by such Applicable Law.

18.6 Authority to Notify Lenders, Creditors and Customers. By executing this Agreement, you agree that we have the right and authority (but not the obligation) to notify your lenders, creditors and/or customers of the occurrence of any event or circumstances that, with the giving of notice or passage of time or both, would constitute an Event of Default and otherwise communicate with such lenders, creditors and/or customers with respect to any such default or any such event or circumstances. You shall provide us with the names, addresses and telephone numbers of your contacts at your lenders or creditors upon our request.

19 OBLIGATIONS ON TERMINATION OR EXPIRATION

19.1 Your Obligations. Upon termination or expiration of this Agreement:

19.1.1 Termination of License. All rights and licenses granted to you under this Agreement (including, without limitation, rights to use the System, the Manual, and the Marks) shall immediately terminate and any right, title, and interest claimed by you to any such matters shall immediately revert to us without further notice or documentation.

19.1.2 Cease Operation and Use of System. You shall immediately cease to operate the Franchised Cafe and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of the System. You shall immediately and permanently cease to use, in any manner whatsoever, the System, the Marks or the trade dress (or any service mark, trade dress, or commercial symbol that is confusingly similar to any of the Marks or the trade dress), the Manual, the Confidential Information and all other distinctive forms, signs, Websites, domain names, e-mail addresses, other Electronic Identifiers, and devices associated with the System.

19.1.3 De-identification. If we do not exercise our option to purchase the Assets of the Franchised Cafe pursuant to Section 20 (Option to Purchase), you shall, at your own cost, immediately de-identify (and make non-structural changes to) the Franchised Cafe (including the building shell and its interior) to distinguish the appearance of the Franchised Cafe from a Corner Bakery Cafe, including, removing the signs, the Marks, and any trade dress so as to indicate to the public that you are no longer associated with us and make any other changes we deem necessary, in our sole discretion, for such purposes. In the event you fail or refuse to comply with the requirements of this Section 19.1.3, we shall have the right to enter the Franchised Cafe, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required under this Section 19.1.3, at your expense, which expense you agree to pay upon demand.

19.1.4 Return of Materials. You shall immediately deliver to us the Manual, Confidential Information, all written materials bearing the Marks or identifying the Franchised Cafe, all computer hardware and software that may have been provided or licensed by us, such items as we may specify, and all other records, files, instructions, correspondence, brochures, agreements, invoices, and other materials relating to the operation of the Franchised Cafe. You shall retain no copy or record of any of the foregoing, except your copy of this Agreement and copies of any correspondence between the parties.

19.1.5 Cease Identification with Us. You must immediately take all action required **(a)** to cancel all assumed name or equivalent registrations relating to your use of the Marks and **(b)** to cancel or transfer to us or our designee all authorized and unauthorized Electronic Identifiers, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the Franchised Cafe or the Marks (collectively, “**Identifiers**”). You acknowledge that as between you and us, we have the sole rights to and interest in all Identifiers. If you fail to comply with this Section 19.1.5, you hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to us or to forward. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer. You are not entitled to any compensation from us if we exercise these rights,

19.1.6 Payment of Costs and Amounts Due. Within 10 days after such termination or expiration, you shall pay all sums owing to us under this Agreement. In the event of termination for your default, such sums shall include all damages, costs and expenses, including costs under Section 19.1.3 (De-identification) and reasonable legal fees and reasonable hourly charges of our administrative and other employees, incurred by us as a result of such default. In the event you fail to comply with this Section 19.1.6, in addition to any rights and remedies available to us, such failure shall give rise to and remain a lien in favor of us (until paid in full) against any and all of the personal property, Operating Assets and inventory owned by you at the Franchised Cafe.

19.1.7 Promote Separate Identity. You will not, directly or indirectly, in any manner, identify yourself, or any individual connected with you, as a former Corner Bakery Cafe franchisee or as otherwise having been associated with us, or use in any manner or for any purpose any of the Marks.

19.1.8 Comply with Covenants. You and your Owners must comply with the nondisclosure and noncompete covenants in Section 17 (Covenants).

19.2 Evidence of Compliance. You shall furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, correct and complete, by your Controlling Principal) satisfactory to us of your compliance with Section 19.1 (Your Obligations).

20 OPTION TO PURCHASE

20.1 Scope. Upon the expiration or termination of this Agreement for any reason, we will have the option to purchase from you some or all of the assets used in the Franchised Cafe (“**Assets**”). We may exercise our option by giving written notice to you within 90 days following the effective date of the expiration or termination or the date you cease to operate the Franchised Cafe. As used in this Section 20, “Assets” shall mean and include, without limitation, leasehold improvements, Operating Assets, and inventory (non-perishable products, materials and supplies) used in the Franchised Cafe, and the real estate fee simple or the Lease for the Franchised Location. The purchased Assets shall exclude any items that are required to be returned or delivered to us under Section 19 (Obligations on Termination or Expiration). We shall be entitled to the entry of interlocutory and permanent orders of specific performance by a court of competent jurisdiction if you fail or refuse to timely meet your obligations under this Section 20 (Option to Purchase).

20.2 Purchase Price.

20.2.1 Definition. The “**Purchase Price**” of the Assets shall be equal to their fair market value (“**FMV**”) (or, for leased assets, the fair market value of the leases) as if the sale were an “asset sale” and shall exclude any liabilities related to you and/or the Franchised Cafe. We may, at our option and in our sole discretion, elect to calculate the Purchase Price of the Assets based upon the value of the business of the Franchised Cafe as a “going-concern” as determined by a multiple of EBITDA for such Cafe. All amounts due and owing to us under the Franchise Agreement shall be deducted from the Purchase Price.

20.2.2 Appraisal Process. If you and we are unable to agree upon a FMV of the Assets within 10 days after your receipt of our notice of intent to exercise our option to purchase the Assets, then the parties shall engage an independent third party, knowledgeable and reputable in valuating restaurant business operations, to appraise the FMV of the Assets. The appraiser shall be given full access to the Franchised Cafe, the Franchised Location and your books and records during customary business hours to conduct the appraisal and shall value the Assets in accordance with the standards of this Section 20 (Option to Purchase). For this valuation, the parties agree that we will pay the lesser of: **(a)** 50% of the cost of such third party appraiser, or **(b)** \$5,000; and that you will pay the balance of the cost of such third party appraiser. Once the appraiser provides the FMV of the Assets, the parties will then agree either: **(i)** to proceed to close the transaction as soon as reasonably practicable, taking into account the need for reasonable due diligence and obtaining the approval of any necessary third parties; or **(ii)** to discontinue such discussions.

20.3 Closing.

20.3.1 Time and Place. The closing of this transaction will take place no later than 30 days after the determination of the Purchase Price or such later date as agreed by the parties, taking into account the need for reasonable due diligence and obtaining the approval of any necessary third parties. All closing documents shall contain all customary representations and warranties. Closing shall take place at our corporate offices or at such other location as the parties may agree.

20.3.2 Deliverables. At closing, you will deliver all instruments required to transfer to us good and merchantable title to the assets purchased, free and clear of all liens and encumbrances and with all sales and other transfer taxes paid by you, and with all licenses or permits of franchised Cafes that may be assigned or transferred. At closing, you will also deliver to us an assignment of the Lease for the Franchised Location (or, if assignment is prohibited, subleases for the full remaining term and on the same terms and conditions as your Lease). If you own the Franchised Location, then you agree to lease the Franchised Location to us pursuant to the terms of our standard lease, for a term of five years with two successive five-year renewal options at fair market rental during the term.

20.3.3 Delay. If the closing of the purchase does not occur as set forth above because you fail to act diligently in connection with the purchase, the Purchase Price will be reduced by 10%. The Purchase Price will be further reduced by 10% per month for each subsequent month that you fail to act diligently to consummate the purchase.

20.3.4 Bulk Sales. Prior to closing, you and we will comply with any applicable bulk sales laws enacted in the state where the Franchised Cafe is located.

20.4 Operation of the Franchised Cafe. If we exercise the option to purchase the Assets (pending the closing of such purchase), we have the right to enter the Franchised Cafe's premises and assume the management of the Franchised Cafe ourselves or appoint a third party (who may be our affiliate) to manage the Franchised Cafe in accordance with Section 10.8.5.2 (Temporary Operation) or, at our option, require you to close the Franchised Cafe during such time period without removing any assets of the Franchised Cafe.

20.5 Specific Performance. In the event you fail to comply with this Section 20, in addition to any other rights and remedies available to us, you agree that we shall be entitled to sue for specific performance of your obligations under this Section 20 (Option to Purchase).

21 RELATIONSHIP OF THE PARTIES

21.1 Independent Contractor Relationship. The sole relationship between you and us is a commercial, arms' length business relationship. Your business is, and shall be kept, totally separate and apart from any that may be operated by us. This Agreement does not create, nor does any conduct by us create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint

venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf. You are, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Franchised Cafe and its business, including any personal property, Operating Assets, or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Franchised Cafe. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. We have no relationship with your employees and you have no relationship with our employees.

21.2 Notice of Independent Contractor Relationship. In all public records, in relationships with other persons, and on letterhead and business forms, you shall indicate your independent ownership of the Franchised Cafe and that you are solely a franchisee of Best Cafe - Franchises, LLC You shall post a sign in a conspicuous location in the Franchised Cafe that will contain your name and state that the Franchised Cafe is independently owned and operated by you under a franchise agreement with us.

21.3 No Third Party Beneficiaries. Except as provided in Section 22 (Indemnification), there are no third party beneficiaries to this Agreement.

22 INDEMNIFICATION

22.1 Indemnification Obligation. You and your Principals will defend, indemnify and hold harmless, BCF and our parent, affiliates, subsidiaries and their successors and assigns, and each of our and their respective direct and indirect owners, members, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, "**Indemnified Parties**") from and against all Losses (as defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought by a third party and directly or indirectly arising out of **(a)** your development and operation of the Franchised Cafe, **(b)** your conduct of business under this Agreement, **(c)** your breach of this Agreement or your noncompliance or alleged noncompliance with any Applicable Laws, including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. "**Losses**" include any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants', arbitrators', mediators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

22.2 Indemnification Procedure. We will promptly notify you of any claim that may give rise to a claim of indemnity hereunder, provided, however, that the failure to provide such notice will not release you from your indemnification obligations under this Section 22 (Indemnification) except to the extent you are actually and materially prejudiced by such failure. You will have the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. If **(a)** the Indemnified Party will have been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to you and, in the reasonable opinion of the Indemnified Party, your counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with your interests, or **(b)** you do not assume responsibility for such Losses in a timely manner or you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and you will pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense. You or the Indemnified Party (as the case may be) will keep you or

the Indemnified Party (as the case may be) reasonably apprised of, and will respond to any reasonable requests concerning, the status of the defense of any claim and will cooperate in good faith with each other with respect to the defense of any such claim. Notwithstanding anything to the contrary herein, if a claim involves the Marks, you agree that we will have the exclusive right to assume the defense of such claim, at your expense with counsel selected by us, but reasonably satisfactory to you.

22.3 Resolution. You will not, without the prior written consent of the Indemnified Party, **(a)** settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or **(b)** settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by you. No claim that is being defended in good faith by you in accordance with the terms of this Section 22 (Indemnification) will be settled by the Indemnified Party without your prior written consent.

22.4 Exception. You have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions.

22.5 No Obligation to Mitigate. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section 22 (Indemnification). You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 22.

22.6 Survival. Your obligations in this Section 22 (Indemnification) will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

23 CONSENTS, APPROVALS AND WAIVERS

23.1 Obtaining Consent. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us therefor, and any approval or consent received, in order to be effective and binding upon us, must be obtained in writing and be signed by one of our authorized officers.

23.2 No Warranties or Liabilities. We make no warranties or guarantees upon which you may rely by providing any waiver, approval, consent or suggestion to you in connection with this Agreement and assume no liability or obligation to you therefor, or by reason of any neglect, delay, or denial of any request therefor. We shall not, by virtue of any approvals, advice or services provided to you, assume responsibility or liability to you or to any third parties to which we would not otherwise be subject.

23.3 No Waivers. No failure by us to exercise any power reserved to us by this Agreement or to insist upon strict compliance by you with respect to any obligation or condition under this Agreement, and no custom or practice of the parties at variance with any term of this Agreement, shall constitute a waiver of our right to demand exact compliance with any term of this Agreement. Our waiver of any particular default by you shall not affect or impair our rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission by us in exercising any power or right arising out of any breach or default by you of any term, provision or covenant of this Agreement affect or impair our right to exercise the same, nor shall such constitute a waiver by us of any right under this Agreement, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Our subsequent acceptance of any payments due to us under this Agreement shall not be deemed to be a waiver by us of any preceding breach by you of any term, covenant or condition of this Agreement.

24 NOTICES

No notice, demand, request or other communication to the parties shall be binding upon the parties, unless the notice is in writing, refers specifically to this Agreement and: **(a)** if to you, is addressed to you at the notice address set forth in Appendix A; and **(b)** if to us, is addressed to Best Cafe - Franchises, LLC at: 13355 Noel Road, Suite 1645, Dallas, Texas 75240 (Attn: General Counsel). Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section 24. Notices shall be effective upon receipt (or first rejection) and may be: **(i)** delivered personally; **(ii)** mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or **(iii)** mailed via overnight courier. The Manual, any changes that we make to the Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25 FORCE MAJEURE

If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure that cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration. As used in this Agreement, the term “**Force Majeure**” means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby. Your inability to obtain financing (regardless of the reason) shall not constitute Force Majeure.

26 ENTIRE AGREEMENT

We and you acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, the parties shall deal with each other in good faith. This Agreement, the Manual, the documents referred to in this Agreement and the attachments to this Agreement, constitute the entire, full and complete agreement between the parties concerning the matters covered in this Agreement, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement, our Franchise Disclosure Document, the Manual, the documents referred to in this Agreement and the attachments to this Agreement. Nothing in this Agreement requires you to waive reliance on the representations made in our Franchise Disclosure Document. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party, unless mutually agreed to by the parties and signed in writing.

27 DISPUTE RESOLUTION

27.1 Non-Binding Mediation. The parties agree that either party may submit any claim, controversy, or dispute arising out of this Agreement to non-binding mediation, provided the parties shall not be required to pursue mediation of any claim, controversy, or dispute as a prerequisite to filing a lawsuit or commencing other legal proceedings, and the pendency of a mediation shall not cause any legal proceedings to be stayed pending the outcome of the mediation. Any such non-binding mediation shall be conducted through either an individual mediator or a mediation services organization, provided the mediator shall be experienced in the mediation of food service business disputes and agreed upon by the parties.

27.2 Choice of Law. This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement, and any other claim or controversy between the parties, shall be governed by and construed in accordance with the laws of the State of Texas without

regard to conflicts of laws principles. Nothing in this Section 27.2 is intended, or shall be deemed, to make any Texas law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

27.3 Choice of Forum. You and the Principals must file any suit against us, and we may file any suit against you, in federal or state courts located in the state in which our principal office is located at the time any litigation commences. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

27.4 Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by Applicable Laws, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, regardless of when such act or omission is discovered.

27.5 Place of Execution of Agreement. The parties acknowledge that: (a) this Agreement was executed in Dallas County, Texas; and (b) performance of certain obligations by you and your Principals under this Agreement, including payment of monetary sums due under this Agreement, shall be deemed to occur at our principal offices in Dallas, Texas.

27.6 Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding shall be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, during, in preparation for, or in contemplation of the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

27.7 Rights of Parties are Cumulative. The parties' rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled to by Applicable Laws or this Agreement to exercise or enforce.

27.8 WAIVER OF PUNITIVE DAMAGES, CLASS ACTION LAWSUITS AND JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, THE PARTIES WAIVE ANY RIGHT TO, OR CLAIM FOR, ANY CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER PARTY. THE PARTIES ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM WILL BE LIMITED TO RECOVERY OF ACTUAL DAMAGES, IF ANY. IN ADDITION, THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS AND THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, AND/OR COUNTERCLAIM BROUGHT BY EITHER PARTY.

27.9 Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including the failure to comply fully with Section 17 (Covenants) and 19 (Obligations on Termination or Expiration), is likely to cause irreparable harm to us, our affiliates, our other franchisees, and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us shall be in addition to, and not in lieu of, all remedies and rights that we otherwise may have arising under Applicable Laws or by virtue of any breach of this Agreement.

28 SEVERABILITY AND CONSTRUCTION

28.1 Severability. Each article, paragraph, subparagraph, term and condition of this Agreement, and any portions thereof, will be considered severable. If, for any reason, any portion of this Agreement is determined to be invalid, contrary to, or in conflict with, any applicable present or future law, rule or regulation in a final, unappealable ruling issued by any court, agency or tribunal with valid jurisdiction in a proceeding to which you and we are a party, that ruling will not impair the operation of, or have any other effect upon, any other portions of this Agreement, all of which will remain binding on the parties and continue to be given full force and effect.

28.2 Modification to Scope. To the extent that any provision or covenant of this Agreement is judicially determined to be unenforceable or unreasonable (including the covenants in Section 17.2 (Noncompete), but may be made enforceable by reductions of the scope of such promise or covenants, the same will be enforced to the fullest extent permissible.

28.3 Our Discretion. Whenever we have expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests. This also applies if we are deemed to have a right and/or discretion. Our determination of what is in the best interests of the System, at the time our decision is made or our right or discretion is exercised, can be made without regard to whether: **(a)** other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; **(b)** our decision or the action taken promotes our financial or other individual interest; **(c)** our decision or the action taken applies differently to you and one or more other franchisees or our company-owned or affiliate-owned operations; or **(d)** our decision or the action taken is adverse to your interests. We will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If Applicable Laws imply a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

28.4 Interpretation. No provision of this Agreement shall be interpreted in favor of, or against, any party because that party drafted this Agreement.

28.5 Construction. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions. The words “include,” “including,” and words of similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter. All references to gender and number shall be construed to include such other gender and number as the context may require. Each reference to the organizational documents, owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto if applicable.

29 MISCELLANEOUS

29.1 Counterparts. This Agreement shall not be binding on either party until it is executed by both parties. This Agreement may be executed in multiple counterparts, each of which when executed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually executed counterpart of this Agreement.

29.2 Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted shall be the day or month of the designated action, event or notice. Days shall be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically shall be extended to the next day that is not a Saturday, Sunday or national holiday.

29.3 Delegation. We have the right, from time to time, to delegate the performance of any portion or all of our obligations and duties under this Agreement to our designees, whether affiliates or agents of ours or independent contractors with whom we have contracted to provide this service.

29.4 Survival. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer, including Sections 12 (Marks), 17 (Covenants), 19 (Obligations on Termination or Expiration), 20 (Option to Purchase), 22 (Indemnification), and 30 (Representations).

29.5 Successors and Assigns. Except as expressly otherwise provided herein, this Agreement is binding upon and will inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

29.6 Limited Liability for Our Related Parties. Except when another entity guarantees our obligations under this Agreement as provided for in the guaranty (if any) in our Franchise Disclosure Document (the “**Guaranteeing Entity**”), you agree that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of ours (other than the Guaranteeing Entity but only to the extent of the terms of the guaranty) will have any liability for (a) any of our obligations or liabilities relating to or arising from this Agreement, (b) any claim against us based on, in respect of, or by reason of, the relationship between you and us, or (c) any claim against us based on any alleged unlawful act or omission of ours.

29.7 Our Agreements with Third Parties. You acknowledge that we have entered, and intend to continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations do not affect the duties of the parties to this Agreement to comply with the terms of this Agreement. The manner in which we enforce our rights and the franchisees’ obligations under any of those other agreements shall not affect our ability to enforce our rights or your obligations under this Agreement.

29.8 Additional Terms; Inconsistent Terms. The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

30 REPRESENTATIONS

You (on behalf of yourself and your Principals) represent, acknowledge and warrant to us that:

30.1 Truth of Information. The information (including without limitation all personal and financial information) that you and your Principals have furnished or will furnish to us relating to the subject of this Agreement is true and correct in all material respects and includes all material facts necessary to make such information not misleading in light of the circumstances when made.

30.2 Signatories to this Agreement. The persons signing this Agreement on your behalf have full authority to enter into this Agreement and the other agreements contemplated by the parties. Your execution of this Agreement or such other agreements does not and will not conflict or interfere with, directly

or indirectly, intentionally or otherwise, with the terms of any other agreement with any other third party to which you or any Principal is a party.

30.3 Terrorist Acts. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (“**Order**”), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you, or under common control with you is designated under the Order as a person with whom we may not transact business, and that you: **(a)** do not, and hereafter shall not, engage in any terrorist activity; **(b)** are not affiliated with and do not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and **(c)** are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

30.4 No Actual or Apparent Authority. Even though this Agreement contains provisions requiring you to operate the Franchised Cafe in compliance with the System: **(a)** we and our affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of your business or employment decisions; and **(b)** you and we do not intend for us or our affiliates to incur any liability in connection with or arising from any aspect of the System or your use of the System, whether or not in accordance with the requirements of the Manual, except with respect to any liability arising from our gross negligence or willful misconduct.

[Signatures Follow On Next Page.]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the Effective Date.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

APPENDIX A

FRANCHISE INFORMATION

1. **Effective Date:** _____
2. **Franchisee's Name:** _____
3. **Franchisee's State of Organization** (if applicable): _____
4. **Franchised Location (Recitals):** _____
5. **Protected Area (Section 1.2.1):** _____

The Protected Area may also be depicted on a map and, if so, that map will be attached to this Appendix A. Your rights in the Protected Area are subject to the limitations described in Section 1 of the Franchise Agreement. Any boundaries contained in the description of the Protected Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.

6. **Site Acquisition Deadline (Section 3.1 (Your Responsibility)):** _____
7. **Opening Deadline (Section 3.1 (Your Responsibility)):** _____
8. **Initial Franchise Fee (Section 4.1 (Initial Franchise Fee)):** \$40,000
9. **Monthly Advertising Obligation (Section 6.2 (Advertising Obligation)).** Your MAO under Section 6 of the Franchise Agreement shall be allocated as set forth below, unless and until modified by us as provided in Section 6:

National Marketing Fund (Section 6.3.1)	1.25% of Gross Sales
Regional Marketing Fund (Section 6.3.2)	0% of Gross Sales
Brand Development Fee (Section 6.4)	0% of Gross Sales
Field Marketing (Section 6.5.1)	1% of Gross Sales
TOTAL MAO:	2.25% of Gross Sales

10. **Interests in Other Restaurants (Section 17.2.4 (Exceptions)):** _____

11. **Your Notice Address (Section 24 (Notices)):** _____

12. **Additional Terms; Inconsistent Terms (if any) (Section 29.8):** _____

PROTECTED AREA MAP

APPENDIX B

OWNERSHIP INTERESTS

Effective Date: This Appendix B is current and complete as of _____.

1. Form of Ownership.

(a) **Individual Proprietorship.** Franchisee's owner(s) (is) (are) as follows:

(b) **Corporation, Limited Liability Company or Partnership.** Franchisee is a _____ incorporated or formed on _____, under the laws of the State of _____. The following is a list, as applicable, of Franchisee's owners, partners, directors, officers and/or members as of the Effective Date of this Appendix B:

<u>Name/Title/Address</u>	<u>Percentage/Description of Interest</u>
(a) _____	_____
_____	_____
(b) _____	_____
_____	_____
_____	_____
(c) _____	_____
_____	_____
(d) _____	_____
_____	_____

2. Controlling Principal. Franchisee's Controlling Principal as of the Effective Date of this Appendix B is _____. Franchisee may not change the Controlling Principal without BCF's prior written approval.

3. Operating Partner. Franchisee's Operating Partner as of the Effective Date of this Appendix B is _____. Franchisee may not change the Operating Partner without BCF's prior written approval.

4. Continuity Group. The Continuity Group is comprised of the following persons: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

APPENDIX C

PERSONAL GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

1. In consideration of, and as an inducement to, the execution of the Corner Bakery Cafe Franchise Agreement dated as of _____ ("**Agreement**") by Best Cafe - Franchises, LLC ("**BCF**"), entered into with _____ ("**Franchisee**"), the undersigned ("**Guarantors**"), each of whom is an officer, director or limited liability company manager of Franchisee, member of Franchisee's Continuity Group or a direct owner of a legal or beneficial interest in Franchisee ("**Principal**"), hereby personally and unconditionally: **(1)** guarantee to BCF and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; **(2)** agree personally to be bound by the provisions of Sections 17 (Covenants) and 22 (Indemnification) of the Agreement; and **(3)** agree personally to be liable for the breach of Section 17 (Covenants) of the Agreement.

2. Each Guarantor hereby waives: **(a)** all rights to payments and claims for reimbursement or subrogation that any Guarantor may have against Franchisee arising as a result of the execution of and performance under this Guaranty, for the express purpose that none of the undersigned Guarantors shall be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to BCF; **(b)** all rights to require BCF to proceed against Franchisee for any payment required under the Agreement, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; **(c)** any benefit of, any right to participate in, any security now or hereafter held by BCF; and **(d)** acceptance and notice of acceptance by BCF of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled; and **(e)** any and all right to have any legal action under this Guaranty decided by a jury. BCF shall have no present or future duty or obligation to any Guarantor under this Guaranty, and each Guarantor waives any right to claim or assert any such duty or obligation, to discover or disclose to any Guarantor any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to BCF.

3. Each Guarantor consents and agrees that: **(i)** his direct and immediate liability under this Guaranty shall be joint and several; **(ii)** he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by BCF of any remedies against Franchisee or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which BCF may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Franchisee to BCF or its affiliates under the Agreement; and **(v)** monies received from any source by BCF for application toward payment of the obligations under the Agreement and under this Guaranty may be applied in any manner or order deemed appropriate by BCF. In addition, if any Guarantor ceases to be a member of the Continuity Group, a Principal, an officer or a director of Franchisee or to own any interest in Franchisee prior to termination or expiration of the Agreement, that person agrees that his obligations under this Guaranty shall continue to remain in force and effect unless BCF in its sole discretion, in writing, releases that person from this Guaranty. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 17.2 (Noncompete) shall remain in force and effect for a period of two years after any such release by BCF. A release by BCF of any Guarantor shall not affect the obligations of any other Guarantor.

4. If BCF brings an action to enforce this Guaranty, and BCF prevails in that action, BCF shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

5. If BCF utilizes legal counsel (including in-house counsel employed by BCF or its affiliates) in connection with any failure by any Guarantor to comply with this Guaranty, the Guarantors shall reimburse BCF for any of the above-listed costs and expenses incurred by it.

6. If any of the following events occur, a default ("**Default**") under this Guaranty shall exist: **(a)** failure of timely payment or performance of the obligations under this Guaranty; **(b)** breach of any agreement or representation contained or referred to in this Guaranty; **(c)** appointment of a guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any Guarantor. If a Default occurs, the obligations of the Guarantors shall be due immediately and payable without notice.

7. This Guaranty shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. BCF's interests in and rights under this Guaranty are freely assignable, in whole or in part, by BCF. Any assignment shall not release any Guarantor from this Guaranty.

8. Section 27 (Dispute Resolution) of the Agreement is incorporated by reference into this Guaranty, and all capitalized terms that are not defined in this Guaranty shall have the meaning given them in the Agreement.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature below.

GUARANTORS:

Date: _____

Print Name: _____

Address: _____

Date: _____

Print Name: _____

Address: _____

APPENDIX D

FORM OF NON-DISCLOSURE AGREEMENT

This Agreement is dated [DATE]. The parties are [NAME OF FRANCHISEE] (referred to as “we”, “us”, and “our”), located at [ADDRESS], and [NAME OF EMPLOYEE, MEMBER, OR INDEPENDENT CONTRACTOR] (referred to as “you” and “your”). You are signing this Agreement in consideration of, and as a condition to, your association with us and the compensation, dividends, or other payments and benefits you will receive from us.

BACKGROUND

We are a franchisee of Best Cafe - Franchises, LLC (“BCF”) under a Corner Bakery Cafe Franchise Agreement dated [DATE] (the “**Franchise Agreement**”) [and a developer under a Corner Bakery Cafe Area Development Agreement dated [DATE] (the “**Development Agreement**”).] We have a license to use certain trademarks designated by BCF (the “**Marks**”), certain policies and procedures used in Corner Bakery Cafe businesses (the “**System**”), and the Confidential Information developed and owned by BCF in our Corner Bakery Cafe restaurant (the “**Cafe**”). BCF recognizes that, in order for us to effectively operate our business, our employees and independent contractors whom we retain must have access to certain confidential information and trade secrets owned by BCF. Disclosure of this confidential information and trade secrets to unauthorized persons, or its use for any purpose other than the operation of our business, would harm BCF, other franchise owners, and us. Accordingly, BCF requires us to have you to sign this Agreement.

AGREEMENT

- 1. Confidential Information.** As used in this Agreement, “**Confidential Information**” means all manuals, trade secrets, know-how, methods, training materials, information, management procedures, and marketing and pricing techniques relating to the Cafe, the System, or BCF’s business. In addition, Confidential Information includes all marketing plans, advertising plans, business plans, financial information, customer information, employee information, independent contractor information and other confidential information of BCF, BCF’s affiliates, or us (collectively, the “**Interested Parties**”) that you obtain during your association with us.
- 2. Nondisclosure.** You agree not to use or disclose, or permit anyone else to use or disclose, any Confidential Information to anyone outside of our organization (other than the Interested Parties) and not to use any Confidential Information for any purpose except to carry out your duties as our employee, member, or independent contractor. You also agree not to claim any ownership in or rights to Confidential Information and not to challenge or contest our, BCF’s, or BCF’s affiliates’ ownership of it. These obligations apply both during and after your association with us.
- 3. Return of Confidential Information.** If your association with us ends for any reason, you must return to us all records described in Section 1, all other Confidential Information, and any authorized or unauthorized copies of Confidential Information that you may have in your possession or control. You may not retain any Confidential Information after your association with us ends.
- 6. Remedies.** If you breach or threaten to breach this Agreement, you agree that we will be entitled to injunctive relief (without posting bond) as well as a suit for damages.
- 7. Severability.** If any part of this Agreement is declared invalid for any reason, the invalidity will not affect the remaining provisions of this Agreement. If a court finds any provision of this Agreement to be unreasonable or unenforceable as written, you agree that the court can modify the provision to make it enforceable and that you will abide by the provision as modified.

8. Independent Agreement. The Agreement is independent of any other obligations between you and us. This means that it is enforceable even if you claim that we breached any other agreement, understanding, commitment or promise.

9. Third Party Right of Enforcement. You are signing this Agreement not only for our benefit, but also for the benefit of BCF and BCF's affiliates. We, BCF, and BCF's affiliates have the right to enforce this Agreement directly against you.

10. Not An Employment Agreement. This is not an employment agreement. Nothing in this Agreement creates or should be taken as evidence of an agreement or understanding by us, express or implied, to continue your association with us for any specified period.

11. Modification and Waiver. Your obligations under this Agreement cannot be waived or modified except in writing.

12. Governing Law. This Agreement is governed by the laws of the state in which our principal office is located.

13. Attorney's Fees. If we have to take legal action to enforce this Agreement, we will be entitled to recover from you all of our costs, including reasonable attorney's fees, to the extent that we prevail on the merits.

14. Representation. You certify that you have read and fully understood this Agreement, and that you entered into it willingly.

IN WITNESS WHEREOF, we and you attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE:

YOU:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

APPENDIX E

FORM OF ADDENDUM TO LEASE

THIS ADDENDUM is executed as of this ____ day of _____, _____, by and between _____ (“**Franchisee**”) and _____ (“**Landlord**”), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein, (“**Lease**”) for the premises located at _____, State of _____ (“**Premises**”) dated as of _____, ____.

Franchisee has entered into a Development Agreement and/or a Franchise Agreement (“**Franchise Agreement**”) with Best Cafe - Franchises, LLC (“**Franchisor**”) for the development and operation of a Corner Bakery Cafe at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions contained in this Addendum.

Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; (b) Franchisor has exercised its Option to Purchase under the Franchise Agreement; and (c) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.
3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder.
4. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.
5. Franchisee and Landlord acknowledge and agree Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease, and succeeds to Franchisee's interest in and under the Lease, in writing pursuant to Section 2 or Section 3, above.
6. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord's prior consent, further assign the Lease to a franchisee of Franchisor to operate the Corner Bakery Cafe at the Premises provided that the following criteria are met: (a) Franchisor has an established franchising program for Cafes; and (b) the proposed franchisee has met all of Franchisor's applicable program criteria and requirements and has executed Franchisor's standard franchise agreement. Landlord agrees to execute such further documentation to confirm its consent to the assignment permitted under this Addendum as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor shall be released from any further liability under the terms and conditions of the Lease.
7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises

for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a Corner Bakery Cafe. Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.

8. Landlord and Franchisee agree that if Landlord is an affiliate or an Owner of Franchisee, as defined in the Franchise Agreement, and Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease upon the request of Franchisor shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Corner Bakery Cafe is located.
9. Landlord agrees that during and after the term of the Lease, it will not disclose or use Franchisor's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "Confidential Information" as used herein shall mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan, equipment, furniture, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, trade dress, "look and feel," layout, design, menus, recipes, formulas, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all Confidential Information belongs exclusively to Franchisor. Landlord agrees that should it breach or threaten to breach this provision of this Addendum, Franchisor will suffer irreparable damages and Franchisor's remedy at law will be inadequate. Therefore, if Landlord threatens or actually breaches this provision, Franchisor shall be entitled to all remedies available to Franchisor at law or in equity, including, without limitation, injunctive relief.
10. Landlord agrees that: (a) Franchisor has solely granted to Franchisee the right to use Franchisor's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "**Marks**") at the Premises under the terms of the Franchise Agreement; and (b) Franchisor has not granted any rights or privileges to Landlord to use the Marks at the Premises or anywhere else; and (c) Landlord's unauthorized use of the Marks during or after the term of the Lease shall cause irreparable harm to Franchisor and Franchisor's remedy at law will be inadequate. Therefore, if Landlord threatens or actually breaches this provision, Franchisor shall be entitled to all remedies available to Franchisor at law or in equity, including, without limitation, injunctive relief.
11. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.
12. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 12700 Park Central Drive, Suite 1300, Dallas, Texas 75251 (Attn: General Counsel), or such other address as Franchisor shall specify by written notice to Landlord.
13. Under the Franchise Agreement, any lease for the location of a Corner Bakery Cafe is subject to Franchisor's approval with regards to the terms and conditions that affect Franchisor, and Franchisor expressly disclaims any other connotations either expressed or implied as to the other terms and conditions set forth in the Lease that are negotiated between Landlord and Franchisee. Accordingly, the Lease is contingent upon such approval, and Franchisor shall provide written notice to Landlord and Franchisee to evidence such approval, as applicable.

14. Landlord has approved for all purposes under the Lease the exterior elevations, exterior fixtures, signage, lighting and other exterior branding components attached to the Lease as Exhibit X-1 hereto (the “**Final Branding Plan**”) and the schematic drawings/floor plans attached to the Lease as Exhibit X-2 (the “**Preliminary Schematic Drawing(s)**”) of the improvements which Franchisee intends to be constructed in the Premises by Franchisee as part of Franchisee’s Work. Landlord may not object to (nor shall Franchisee be required to revise) any portion of the Franchisee’s plans and specifications which is in conformity with either the Final Branding Plan or the Preliminary Schematic Drawings. Additionally, Franchisor’s standard finishes and materials used as part of Franchisee’s Work shall control and supersede over any design criteria required by Landlord. Landlord recognizes that Franchisee may wish to construct the Franchisee’s Work with a unique design or appearance to further its “Corner Bakery Cafe” brand identity as further set forth on Franchisee’s plans and specifications and Landlord agrees not to unreasonably withhold its approval for such unique design or appearance.

WITNESS the execution hereof under seal.

LANDLORD:

FRANCHISEE:

DATE: _____

DATE: _____

Subscribed and sworn to before me this ____ day of _____, ____.

Subscribed and sworn to before me this ____ day of _____, ____.

Notary Public

Notary Public

My Commission expires: _____

My Commission expires: _____

APPENDIX F

CORNER BAKERY CAFE STORED VALUE GIFT CARD PROGRAM FRANCHISEE PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT (this “**Agreement**”) is made and entered into this ____ day of _____, 20__, by and between Best Cafe - Franchises, LLC (“**BCF**”) and _____ (“**Franchisee**”).

RECITALS

BCF and Franchisee have entered into a Corner Bakery Cafe Franchise Agreement under which Franchisee operates a franchised Corner Bakery Cafe (“**Franchised Cafe**”).

Franchisee would like to participate in BCF’s Stored Value Gift Card Program (the “**Card Program**”) as outlined in the Corner Bakery Cafe Operating Manual (the “**Manual**”) pursuant to which Franchisee will offer and sell to its customers stored value gift cards (“**Gift Cards**”) redeemable for goods and services at the Franchised Cafe and other Cafes not owned or operated by Franchisee.

NOW, THEREFORE, in consideration of Franchisee’s participation in the Card Program, the mutual undertakings and commitments set forth herein, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. **Participation.** Franchisee agrees to participate in the Card Program in accordance with the terms and policies as set forth in the Manual as may be modified by BCF in its sole discretion from time to time. Franchisee shall: (i) pay all Card Program fees as specified in the Manual including, but not limited to, Gift Card Transaction Fees, ACH Transfer Fees, and periodic Location Fees; and (ii) ensure that its bank account maintains a sufficient balance to cover all settlement obligations and applicable charges under the Card Program. Franchisee acknowledges and agrees that BCF may modify and/or terminate the Card Program at any time in its sole discretion.
2. **Service Agreement and Related Forms.** Franchisee agrees to sign a service or similar agreement(s) with BCF’s approved vendor(s) that will administer the Card Program and pay all fees accruing under that agreement(s). Currently, Bank of America Merchant Services serves as BCF’s approved Card Program administrator. In order to participate in the Card Program, Franchisee must sign: (i) an Affiliated Issuer Service Agreement with Bank of America Merchant Services; (ii) a FDNet User ID Authorization/Maintenance Form; and (iii) an ACH Credit and Debit Authorization Banking Information Form.
3. **Card Fact.** BCF has entered into a contract with CardFact, Ltd., which issues the Gift Cards and assists BCF with regards to regulatory compliance with gift card related consumer protection and unclaimed property laws. Notwithstanding the foregoing, Franchisee acknowledges and agrees that BCF cannot make any representations or provide any advice to Franchisee with regard to gift card laws and accounting policies and compliance with these laws and policies is Franchisee’s sole and absolute responsibility.
4. **Reimbursement.** Upon termination, expiration or transfer of control of the Franchise Agreement or any interest therein or a transfer of the Franchised Cafe or all or substantially all of the assets of the Franchised Cafe, Franchisee shall pay to BCF an amount equal to that portion of all Gift Cards sold or otherwise issued by, through or on behalf of Franchisee which (i) remains unredeemed at the time of such termination, expiration or transfer, and (ii) which have been redeemed at Cafes other than the Franchised Cafe prior to such termination, expiration or transfer but for which Franchisee has not then made full payment to BCF, its franchisee or designee or the transferee in accordance with BCF’s then current policies and procedures.

5. **Compliance with Applicable Law and Indemnification.** Franchisee is solely responsible for complying with all applicable laws relating to the gift cards that Franchisee sells, including all escheat laws and accounting regulations related to gift card breakage. Franchisee is responsible for any federal, state or local sales, use, property or other taxes which may be imposed as a result of Franchisee's participation in the Card Program. Franchisee shall comply with and be bound by applicable law and the rules and regulations of the National Automated Clearing House Association Rules which are subject to change from time to time. Franchisee agrees to indemnify and hold BCF, its Affiliates, and other of BCF's franchisees harmless from any loss, damage or claim relating to or arising out of any failure to comply with applicable laws in connection with the Card Program.
6. **Miscellaneous.**
- A. **Venue and Jurisdiction.** This Agreement and the relationship created hereby shall be subject to the dispute resolution, venue, jurisdiction and choice of law provisions contained in the Franchise Agreement.
 - B. **Authority.** By executing this Agreement, the parties represent and warrant that each has the right and authority to enter into and to accept the terms and covenants of this Agreement, and that no third party has or claims an interest in any claim released by this Agreement.
 - C. **No Conflicts.** Each of the undersigned hereby represents and warrants that its execution of this Agreement does not violate any other agreement to which it is a party.
 - D. **Captions.** All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.
 - E. **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.
 - F. **Entire Agreement.** This Agreement represents the complete, integrated, and entire agreement between the parties regarding the subject matter hereof, any may not be modified except in a writing signed by the parties.
 - G. **Severability.** The provisions of this Agreement are severable, and, in the event that any of them is held void and unenforceable as a matter of law, the remainder shall continue in full force and effect.
 - H. **Waiver.** No delay or omission by the parties hereto to exercise any right or power hereunder shall impair such right or power or be construed to be a waiver thereof.
 - I. **Survival.** The parties expressly agree that the terms of this Agreement will survive the termination, expiration or transfer of the Franchise Agreement or any interest therein.

[Signature Page Follows.]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the day and year first above written.

BEST CAFE - FRANCHISES, LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE (INSERT NAME)

By: _____

Print Name: _____

Title: _____

RIDER 1

EXPIRATION OF FRANCHISE AGREEMENT

TO: _____

The Franchised Cafe located at _____ first opened for business on _____.

The Initial Term of the Franchise Agreement for the Franchised Cafe expires on _____. If you desire to remain a franchisee for the first Renewal Term, you must give us your Renewal Notice no earlier than _____ (twelve months before the expiration date of the Franchise Agreement) and no later than _____ (six months before the expiration date).

BEST CAFE - FRANCHISES, LLC

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT D
AREA DEVELOPMENT AGREEMENT

**CORNER BAKERY CAFE
AREA DEVELOPMENT AGREEMENT**

Franchisee

Effective Date

Development Area

**CORNER BAKERY CAFE AREA DEVELOPMENT AGREEMENT
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Appendix A – Franchisee-Specific Terms

Appendix B – Payment and Performance Guarantee

**CORNER BAKERY CAFE
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (this “**Agreement**”) is made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between **BEST CAFE - FRANCHISES, LLC**, a Delaware limited liability company with its principal place of business at 13355 Noel Road, Suite 1645, Dallas, Texas 75240 (“**BCF**,” “**we**,” “**us**,” or “**our**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**,” “**you**” or “**your**”) with its principal place of business as set forth on Appendix A.

RECITALS

A. We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the “**Initial Franchise Agreement**”), in which we have granted you the right to establish and operate one CORNER BAKERY CAFE® restaurant (a “**Cafe**”). All capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement.

B. We desire to grant to you the right to establish and operate a specified number of Cafes within a specified geographical area in accordance with a development schedule.

C. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Principals**”) are listed on Appendix A of this Agreement.

D. You desire to establish and operate additional Cafes upon the terms and conditions contained in our then-current standard franchise agreements (a “**Franchise Agreement**,” the current form of which was the form used in the Initial Franchise Agreement).

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1 Grant of Development Rights and Development Area.

Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate in the area designated on Appendix A to this Agreement (the “**Development Area**”) the number of Cafes specified in the development schedule in Appendix A (the “**Development Schedule**”). This Agreement does not grant you any right to use the Marks or the System. Rights to use the Marks and the System are granted only by the Franchise Agreements.

2 Fees.

Upon execution of this Agreement, you must pay us a development fee in the amount specified on Appendix A (the “**Development Fee**”). The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Development Schedule. The Development Fee will not be credited against any other fees that you must pay us under the Franchise Agreements, including any Initial Franchise Fees (as defined in the applicable Franchise Agreement). Upon execution of each Franchise Agreement, you must pay us our then-current Initial Franchise Fee and any other fees specified in such Franchise Agreement.

3 Development Obligations.

3.1 Development of Cafes. You must sign your Initial Franchise Agreement at the same time that you sign this Agreement. For each additional Cafe that you have the right to develop in accordance

with the Development Schedule, in accordance with the Manuals and the terms of our then-current Franchise Agreement that is being offered at the time you submit the site to us for our acceptance, you must **(a)** select a site, **(b)** obtain our acceptance of the site (once accepted by us, the “**Accepted Site**”), **(c)** begin to develop Plans and Specifications and a Branding Plan for the Accepted Site, and **(d)** obtain our approval of the lease or sublease for the Accepted Site. Before you may execute a lease, sublease, or deed for an Accepted Site, you must execute our then-current Franchise Agreement and pay our then-current Initial Franchise Fee. After signing a Franchise Agreement for a Cafe, you must construct, develop, and operate the Cafe in accordance with such Franchise Agreement.

3.2 Deadlines. You must acquire Accepted Sites and open and operate Cafes in the Development Area in accordance with the deadlines set forth in the Development Schedule. By each “**Site Acquisition Deadline**” specified in the Development Schedule, you must have a Possessory Interest in the minimum number of Accepted Sites specified on the Development Schedule. A “**Possessory Interest**” is **(a)** a leasehold interest in the Accepted Site obtained by fully executing a lease or sublease that we have approved or **(b)** fee simple ownership of the Accepted Site obtained by a deed for the Accepted Site and causing such deed to be recorded. By each “**Opening Deadline**” specified in the Development Schedule, you must have the specified number of Cafes open and operating. **Damaged Cafes.** If a Cafe is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business, you must immediately give us notice of such destruction or damage (“**Destruction Event**”). You must diligently work to repair and restore the Cafe to our approved plans and specifications in accordance with the terms of the applicable Franchise Agreement. If a Cafe is closed due to a Destruction Event, the Cafe will continue to be deemed a “Cafe in operation” for the purpose of this Agreement for up to 180 days after the Destruction Event occurs. If a Cafe **(a)** is closed in a manner other than those described in this Section 3.3 or as otherwise agreed by us in writing or **(b)** fails to reopen within 180 days after a Destruction Event, then we may exercise our rights under Section 6.2 (Our Remedies).

3.4 Effect of Sale of Cafe. Notwithstanding anything to the contrary in this Agreement, if you sell (and we approve the sale of) a Cafe developed pursuant to this Agreement and you are not in default of the Franchise Agreement for that Cafe, the Cafe will continue to be deemed a “Cafe in operation” for the purpose of this Agreement, provided that the Cafe continues to be open and operating pursuant to a franchise agreement with us or our affiliates.

3.5 Affiliate-Owned Cafes. At your request, the Franchise Agreement for any Cafe in the Development Area may be signed by an Entity formed by you to develop and operate the Cafe (an “**Affiliated Entity**”) (and shall count as one of your Cafes for the purpose of satisfying the Development Schedule), provided all of the following conditions are met: **(a)** you or your Continuity Group (defined in Section 13.4.2 (Continuity Group) of the Initial Franchise Agreement) owns at least 66% of the voting securities of a corporate Affiliated Entity, at least 66% of the membership interests in a limited liability company Affiliated Entity, or all of the general partnership interests of a partnership Affiliated Entity; **(b)** the Affiliated Entity conducts no business other than the operation of one or more of the Cafes and meets our then-current criteria for Corner Bakery Cafe® franchisees; **(c)** you, your Continuity Group and all of your Principals sign a personal guaranty and agree to assume full and unconditional liability for, and agree to perform, all obligations, covenants and agreements contained in the Franchise Agreement; and **(d)** all owners of voting securities of a corporate Affiliated Entity, membership interests of a limited liability company Affiliated Entity or partnership interests of a partnership Affiliated Entity possess a good moral character, as determined by us in our sole discretion, and you provide to us all reasonably requested information to permit us to make such a determination.

4 Development Area.

4.1 Development Area. Except as provided in this Section 4.1, while this Agreement is in effect, provided that you have signed Franchise Agreements, paid Initial Franchise Fees, and opened and operated the Cafes in strict compliance with the Development Schedule, we and our affiliates will not operate, or license others to operate, a Cafe under the Marks (as defined in your Initial Franchise Agreement) and the System (as defined in your Initial Franchise Agreement) within the Development Area. The restrictions contained in this Section 4.1 do not apply to Cafes in operation or under lease, construction

or other commitment to open in the Development Area as of the Effective Date of which we have provided you with prior written notice.

4.2 No Other Restriction On Us. Except as expressly provided in Section 4.1 or any other agreement between the parties, we and our affiliates retain the right, in our sole and absolute discretion, to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Cafes. For example, we and our affiliates reserve the right to: **(a)** operate, and license others to operate, restaurants identified in whole or in part by the Marks and/or utilizing the System in the Development Area that are located in gas stations or convenience stores, transportation facilities (including airports, train stations, subways and rail and bus stations), military bases and government offices, sports facilities (including stadiums and arenas), amusement parks, zoos, convention centers, car and truck rest stops, travel centers, educational facilities, recreational theme parks, hospitals, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos and any similar captive market location; **(b)** award national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third party's trademark; **(c)** merchandise and distribute products identified by the Marks in the Development Area through any method or channel of distribution other than through the operation of a restaurant or catering services; **(d)** sell and distribute products identified by the Marks in the Development Area to restaurants other than restaurants identified by the Marks, provided that those restaurants are not licensed to use the Marks in connection with their retail sales; **(e)** sell products and services through other channels of distribution, including the Internet, wholesale, mail order and catalog; **(f)** operate, and license others to operate, during the term of this Agreement, restaurants identified in whole or in part by the Marks at any location outside of the Development Area; **(g)** operate, and license others to operate, after this Agreement terminates or expires, restaurants identified in whole or in part by the Marks at any location, including locations inside the Development area; **(h)** operate, and license others to operate, at any location, including locations inside the Development Area, during or after the term of this Agreement, any type of restaurant other than a restaurant identified in whole or in part by the Marks; **(i)** develop and own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; **(j)** purchase, be purchased by, merge or combine with, businesses that directly compete with Cafes and convert such businesses to the Corner Bakery Cafe® name and System, continue to operate such businesses under another name or system, and/or convert Cafes to such other name or system; and **(k)** engage in any other activity, action or undertaking that we are not expressly prohibited from taking under this Agreement.

5 Term.

This Agreement commences on the Effective Date and expires at the earlier of the date that you open the last Cafe under this Agreement or midnight on the last Opening Deadline date listed on the Development Schedule (the "Term") unless this Agreement is terminated sooner as provided in other sections of this Agreement. There is no right to renew this Agreement.

6 Termination.

6.1 Events of Default. Any one or more of the following constitutes an "Event of Default" under this Agreement:

6.1.1 You fail to have a Possessory Interest in the minimum number of Accepted Sites specified in the Development Schedule by any Site Acquisition Deadline;

6.1.2 You fail to have open and operating the minimum number of Cafes specified in the Development Schedule by any Opening Deadline;

6.1.3 An Event of Default occurs under any Franchise Agreement, which gives us the right to terminate such Franchise Agreement (even if we do not exercise such termination right); or

6.1.4 You breach or otherwise fail to comply fully with any other provision contained in this Agreement, including Section 9 (Franchisee's Covenant Not to Compete).

6.2 Our Remedies. If any Event of Default occurs under Section 6.1 (Events of Default), we may, at our sole election, (i) declare this Agreement and any and all other rights granted to you under this Agreement to be immediately terminated and of no further force or effect or (ii) reduce the size of your Development Area and/or reduce the number of Cafes that you are entitled to develop. Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. Your failure to open and thereafter operate Cafes in accordance with the Development Schedule will not, in itself, constitute cause for us to terminate any previously executed Franchise Agreement.

7 Transfers.

This Agreement and the rights granted to you under this Agreement are personal to you and neither this Agreement, nor any of the rights granted to you hereunder nor any controlling equity interest in you may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by you without our prior written approval, which we may grant or withhold for any or no reason. If you or your Principals intend to transfer any interest in you or this Agreement, we shall have a right of first refusal in accordance with the procedure set forth in Section 15.9 (Our Right of First Refusal) of the Initial Franchise Agreement. If we agree to permit you to transfer any interest in you or this Agreement, we may require you to pay, in addition to any other conditions that we specify, a transfer fee equal to \$7,500 multiplied by the number of Cafes yet to be developed under the Development Schedule. We may assign this Agreement or any ownership interests in us without restriction.

8 General Release.

You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, shareholders, agents and employees, in their corporate and individual capacities) and all Principals (collectively, "**Franchisee Releasors**") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees in their corporate and individual capacities (collectively "**BCF Releasees**") with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Franchisee Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under Applicable Laws and claims arising out of, or relating to this Agreement and all other agreements between any Franchisee Releasor and any BCF Releasee, the sale of any franchise to any Franchisee Releasor, the development and operation of the Cafes and the development and operation of all other restaurants operated by any Franchisee Releasor that are franchised by any BCF Releasee. You expressly agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise impair or affect any claims arising after the date of this Agreement.

9 Covenants.

Section 17.1 (Confidentiality) and 17.2 (Noncompete) of the Initial Franchise Agreement are incorporated by reference in this Agreement as if fully restated within the text of this Agreement. In addition, for two years after the expiration or termination of this Agreement or an approved transfer to a new franchisee, you and your Principals may not, without our prior written consent, directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business (as defined in the Initial Franchise Agreement) that is (or is intended to be) located within the Development Area or within 10 miles of any Cafe that is operating or under development at the time of such expiration, termination, or transfer. Your Principals bind themselves to this

Section 8 by signing the Personal Guaranty attached as Appendix C. We may, in our sole discretion, require you to obtain from your officers, directors, Multi-Unit Managers, managers, Principals' spouses, and other individuals that we may designate executed agreements containing nondisclosure covenants similar in substance to those contained in this Section and Section 17 of the Initial Franchise Agreement as we prescribe in the Manuals and otherwise.

10 Incorporation of Other Terms.

Section 22 (Indemnification), Section 24 (Notice), Section 25 (Force Majeure), Section 27 (Dispute Resolution), Section 29 (Miscellaneous), and Section 30 (Representations) of the Initial Franchise Agreement are incorporated by reference in this Agreement and will govern all aspects of our relationship and the construction of this Agreement as if fully restated within the text of this Agreement.

11 Additional or Inconsistent Terms.

The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

12 Miscellaneous. We and you acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, the parties shall deal with each other in good faith. This Agreement, the Manual, the documents referred to in this Agreement and the attachments to this Agreement, constitute the entire, full and complete agreement between the parties concerning the matters covered in this Agreement, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement, our Franchise Disclosure Document, the Manual, the documents referred to in this Agreement and the attachments to this Agreement. Nothing in this Agreement requires you to waive reliance on the representations made in our Franchise Disclosure Document. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party, unless mutually agreed to by the parties and signed in writing.

Capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement. This Agreement, together with the Initial Franchise Agreement, supersedes all prior agreements and understandings, whether oral and written, among the parties relating to its subject matter, and there are no oral or other written understandings, representations, or agreements among the parties relating to the subject matter of this Agreement. This Agreement shall not be binding on either party until it is executed by both parties. This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

BEST CAFE – FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**APPENDIX A
TO THE AREA DEVELOPMENT AGREEMENT**

FRANCHISEE-SPECIFIC TERMS

- (1) Effective Date (First Paragraph): _____
- (2) Franchisee: _____
- (3) Franchisee's Notice Address: _____
- (4) Franchisee's State of Organization (if applicable): _____
- (5) Development Area (Section 1): [attach map if necessary]

The Development Area may also be depicted on a map and, if so, that map will be attached to this Appendix A. Any political boundaries contained in the description of the Development Area shall be considered fixed as of the date of this Agreement and shall not change notwithstanding a change in those boundaries. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.

- (6) **Development Schedule (Section 1):** You agree to establish and operate a total of ____ Cafes within the Development Area during the term of this Agreement. The Cafes must be developed and open and operating in accordance with the following Development Schedule:

<u>MINIMUM NUMBER OF ACQUIRED ACCEPTED SITES</u> The minimum number of Accepted Sites in which you must have a Possessory Interest by each Site Acquisition Deadline	<u>SITE ACQUISITION DEADLINE</u>	<u>MINIMUM NUMBER OF OPEN AND OPERATING CAFES</u> The minimum number of Cafes open and operating by each Opening Deadline	<u>OPENING DEADLINE</u>
			_____, 20____ (the Expiration Date of the Agreement)

- (7) **Development Fee (Section 2):** The Development Fee is \$_____ (\$20,000 for each Cafe).

- (8) **Principals (Recital C):** If the franchisee is an Entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the Franchisee:

<u>Name and Address</u>	<u>Percentage Ownership</u>
	_____ %
	_____ %
	_____ %
	_____ %

(9) Additional or Inconsistent Terms (Section 10): _____

Signature Page for Appendix A (Franchisee-Specific Terms)

FRANCHISOR

BEST CAFE – FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**APPENDIX B
TO THE AREA DEVELOPMENT AGREEMENT**

PERSONAL GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

1. In consideration of, and as an inducement to, the execution of the Corner Bakery Cafe Area Development Agreement dated as of _____ ("**Agreement**") by Best Cafe – Franchises, LLC ("**BCF**"), entered into with _____ ("**Franchisee**"), the undersigned ("**Guarantors**"), each of whom is a direct owner of a legal or beneficial interest in Franchisee ("**Principal**"), hereby personally and unconditionally: **(1)** guarantee to BCF and its successors and assigns, for the Term and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; **(2)** agree personally to be bound by the provisions of Section 8 (General Release), 9 (Covenants), and 10 (Incorporation of Other Terms) of the Agreement; and **(3)** agree personally to be liable for the breach of Section 9 (Covenants) of the Agreement.

2. Each Guarantor hereby waives: **(a)** all rights to payments and claims for reimbursement or subrogation that any Guarantor may have against Franchisee arising as a result of the execution of and performance under this Guaranty, for the express purpose that none of the undersigned Guarantors shall be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to BCF; **(b)** all rights to require BCF to proceed against Franchisee for any payment required under the Agreement, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; **(c)** any benefit of, any right to participate in, any security now or hereafter held by BCF; and **(d)** acceptance and notice of acceptance by BCF of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled; and **(e)** any and all right to have any legal action under this Guaranty decided by a jury. BCF shall have no present or future duty or obligation to any Guarantor under this Guaranty, and each Guarantor waives any right to claim or assert any such duty or obligation, to discover or disclose to any Guarantor any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to BCF.

3. Each Guarantor consents and agrees that: **(i)** his direct and immediate liability under this Guaranty shall be joint and several; **(ii)** he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by BCF of any remedies against Franchisee or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which BCF may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the Development Term and for so long thereafter as there are monies or obligations owing from Franchisee to BCF or its affiliates under the Agreement; and **(v)** monies received from any source by BCF for application toward payment of the obligations under the Agreement and under this Guaranty may be applied in any manner or order deemed appropriate by BCF. In addition, if any of Guarantor ceases to be a member of the Continuity Group, a Principal, an officer or a director of Franchisee, or to own any interest in Franchisee prior to termination or expiration of the Agreement, that person agrees that his obligations under this Guaranty shall continue to remain in force and effect unless BCF in its sole discretion, in writing, releases that person from this Guaranty. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 9 (Covenants) of the Agreement shall remain in force and effect for a period of two years after any such release by BCF. A release by BCF of any Guarantor shall not affect the obligations of any other Guarantor.

4. If BCF brings an action to enforce this Guaranty, and BCF prevails in that action, BCF shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

5. If BCF utilizes legal counsel (including in-house counsel employed by BCF or its affiliates) in connection with any failure by any Guarantor to comply with this Guaranty, the Guarantors shall reimburse BCF for any of the above-listed costs and expenses incurred by it.

6. If any of the following events occur, a default ("**Default**") under this Guaranty shall exist: **(a)** failure of timely payment or performance of the obligations under this Guaranty; **(b)** breach of any agreement or representation contained or referred to in this Guaranty; **(c)** appointment of a guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any Guarantor; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any Guarantor. If a Default occurs, the obligations of Guarantor shall be due immediately and payable without notice.

7. This Guaranty shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. BCF's interests in and rights under this Guaranty are freely assignable, in whole or in part, by BCF. Any assignment shall not release any Guarantor from this Guaranty.

8. Section 27 (Dispute Resolution) of the Initial Franchise Agreement is incorporated by reference into this Guaranty, and all capitalized terms that are not defined in this Guaranty shall have the meaning given them in the Agreement.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature below.

GUARANTORS:

Date: _____

Print Name: _____

Address: _____

Date: _____

Print Name: _____

Address: _____

EXHIBIT E
GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE ("Release") is executed on _____ by _____ ("Franchisee") and _____ (collectively, "Guarantors") as a condition of the (1) transfer of the Corner Bakery Cafe Area Development Agreement dated _____ ("Development Agreement") between Franchisee and Best Cafe – Franchises, LLC ("Franchisor"); (2) transfer of the Corner Bakery Cafe Franchise Agreement dated _____ ("Franchise Agreement") between Franchisee and Franchisor; or (3) execution of a Successor Franchise Agreement by Franchisor and Franchisee.

1. Release by Franchisee and Guarantors. Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, "Releasors") freely and without any influence forever release and covenant not to sue Franchisor and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, (collectively "Releasees") with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "Claims"), which any Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the **[Development/Franchise]** Agreement and all other agreements between any Releasor and any Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law. This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, 19.100 RCW, and the rules adopted thereunder in accordance with RCW 19.100.220(2).

2. Risk of Changed Facts. Franchisee and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. No Prior Assignment. Franchisee and Guarantors represent and warrant that the Releasors are the sole owners of all Claims and rights released in Section 1 and that the Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1.

4. Covenant Not to Sue. Franchisee and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

5. Complete Defense. Franchisee and Guarantors: **(a)** acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and **(b)** consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. Successors and Assigns. This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of Franchisor and each Releasor.

7. Capitalized Terms. Any capitalized terms that are not defined in this Release shall have the meaning given them in the Development Agreement or the Franchise Agreement, as the context requires.

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown above.

FRANCHISEE:

By: _____

Print Name:_____

Title_____

GUARANTOR:

Print Name:_____

GUARANTOR:

Print Name:_____

EXHIBIT F
CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "Agreement") is made as of _____ ("Effective Date") by _____, with its principal place of business at _____ ("Applicant") and certain of Applicant's employees identified below ("Employees") in favor of Best Cafe – Franchises, LLC ("BCF").

RECITALS

As the result of the expenditure of time, skill, effort and money, BCF has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of bakery cafe styled restaurants that operate under the trade name Corner Bakery Cafe® (collectively, "Corner Bakery Cafes").

Applicant has expressed interest in purchasing a Corner Bakery Cafe franchise from BCF to operate one or more Corner Bakery Cafes.

In order to evaluate the possibility of entering into a franchise agreement with BCF to establish and operate one or more Corner Bakery Cafes, Applicant and Employees desire to receive from BCF certain confidential business information including, but not limited to the information contained in the Corner Bakery Cafe Operations Manual ("Manual"). Applicant and Employees recognize the importance of maintaining the confidentiality of this information.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Applicant and Employees agree as follows:

1. Confidential Information

- a. **Definition of Confidential Information.** As used in this Agreement, the term "Confidential Information" means all information that has been created, discovered or developed by BCF and that is in any way proprietary to BCF. Confidential Information includes, but is not limited to, trade-secrets, know-how, methodologies, System information, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans, financial information and projections, artwork, information regarding the manner and methods of locating a site for, developing, operating and promoting Corner Bakery Cafes, information contained in the Manual, information regarding the retail and commercial operations of BCF and its affiliates, and all information that: **(1)** derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and **(2)** is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Confidential Information may be in written form or obtained orally.
- b. **Exclusion from Definition of Confidential Information.** The term "Confidential Information" does not include: **(1)** information that is now or hereafter becomes publicly known through no fault of Applicant or Employees, or by any other person, firm or corporation affiliated with Applicant or Employees; **(2)** except as set forth in Section 2.d., information that was in Applicant's or Employees' possession before the Effective Date; and **(3)** information that comes into Applicant's or Employees' possession after the Effective Date from a source not under an obligation of secrecy to BCF. As used in this Agreement, the phrase "publicly known" means readily accessible to the public in a written publication, and shall not include information which is available only by a substantial searching of the published literature and information the substance of which must be pieced together from a number of different publications and sources. The burden of proving that information or skills and experience are not Confidential Information shall be on the party asserting such exclusion.

- c. **Treatment of Confidential Information.** Applicant and Employees hereby acknowledge, understand and agree that the Confidential Information: **(1)** is the exclusive and confidential property of BCF or its affiliates and incorporates trade secrets and copyrights owned by them; **(2)** gives BCF and its affiliates some competitive business advantage or the opportunity of obtaining such an advantage, the disclosure of which could be detrimental to the interests of BCF and its affiliates; and **(3)** is not generally known by non-BCF personnel. Applicant and Employees shall at all times treat the Confidential Information in accordance with this Agreement.
 - d. **No License.** This Agreement entitles Applicant and Employees to use the Confidential Information solely in connection with Applicant's exploration of the Corner Bakery Cafe franchise opportunity. No license, express or implied, in the Confidential Information is granted to Applicant or Employees other than to use the Confidential Information in the manner and to the extent authorized by this Agreement.
- 2. **Covenants of Applicant and Employees.** As a consequence of Applicant's and Employees' acquisition or anticipated acquisition of Confidential Information, Applicant and Employees will occupy a position of trust and confidence with respect to BCF's affairs and business. In view of the foregoing, Applicant and Employees agree that it is reasonable and necessary that Applicant and Employees agree, while this Agreement is in effect, to the following:
 - a. **Limited Use.** Applicant and Employees shall use the Confidential Information solely for purposes of evaluating whether or not Applicant will invest in a Corner Bakery Cafe franchise. Neither Applicant nor Employees shall make any other uses of the Confidential Information. If Applicant does not invest in a Corner Bakery Cafe franchise, the obligations set forth in this Section 2 will remain in effect for a period of 12 months from the date Applicant elects not to pursue the Corner Bakery Cafe franchise relationship. If, within 12 months after the date Applicant elects not to pursue the Corner Bakery Cafe franchise relationship, Applicant or any Employee opens and operates a business whose method of operation or trade dress is similar to that of a Corner Bakery Cafe or the System, a violation of this Agreement will be presumed.
 - b. **No Disclosure.** Applicant and Employees shall not disclose the Confidential Information to any person or entity other than Applicant's attorney, accountant or other representative as necessary to evaluate the Corner Bakery Cafe franchise opportunity and agree to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Applicant and Employees use to protect Applicant's confidential information.
 - c. **No Use, Copying or Transfer.** Applicant and Employees shall not use, copy or transfer Confidential Information in any way and shall protect the Confidential Information against unauthorized use, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Applicant and Employees use to protect Applicant's confidential information. This prohibition against use, copying, or transfer of Confidential Information includes, but is not limited to, selling, licensing or otherwise exploiting, directly or indirectly, any products or services which embody or are derived from Confidential Information. Applicant and Employees further agree not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any Confidential Information.
 - d. **Applicability.** The covenants in this Agreement shall apply to all Confidential Information disclosed by BCF to Applicant or Employees prior to the Effective Date.
- 3. **Return of Confidential Information.** Nothing in this Agreement obligates Applicant or BCF to enter into a development agreement, franchise agreement or any other agreement. Applicant acknowledges that BCF's decision to consider Applicant for any Corner Bakery Cafe franchise

opportunity and the terms of any contracts will be made by BCF in its sole discretion. If, at any time, BCF determines that it does not want Applicant to become a Corner Bakery Cafe developer or franchisee, or Applicant determines that it does not want to invest in one or more Corner Bakery Cafe franchises, or if BCF requests, at any time and for any reason, that Applicant and Employees do so, Applicant and Employees agree to: **(A)** immediately cease to use the Confidential Information; **(B)** immediately return to BCF the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made (whether or not such disclosure was authorized) to do the same; and **(C)** at the request of BCF, certify in writing that Applicant, Employees and all others to whom Applicant has provided such Confidential Information, have complied with subsections 3.(A) and 3.(B) above.

4. **Notice to BCF.** Applicant and Employees shall immediately notify BCF of any information that comes to their attention which indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a breach of this Agreement.
5. **Waiver.** Applicant and Employees acknowledge that no waiver by BCF of any breach by Applicant or Employees of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.
6. **Enforcement.**
 - a. **Governing Law.** With respect to all claims, controversies, disputes, and/or actions, this Agreement shall be interpreted and construed under Texas law, without regard to Texas choice of law rules.
 - b. **Forum.** To the extent any disputes cannot be resolved directly between Applicant, Employees and BCF, Applicant and Employees irrevocably **(1)** submit to the jurisdiction of the state courts of Texas, located in Dallas County, Texas, and the United States Federal District Court for the Northern District of Texas, Dallas Division; **(2)** waive all questions of personal jurisdiction for the purpose of effectuating this provision; **(3)** agree that service of process may be made upon any of them in any proceeding relating to, or arising out of, this Agreement (including the relationship contemplated by this Agreement) by any means allowed by Texas or federal law; and **(4)** agree that venue for any proceeding relating to, or arising out of, this Agreement shall be in Dallas County, Texas; provided BCF may bring an action for injunctive or other extraordinary relief in any state or federal district court which has jurisdiction.
 - c. **Injunctive relief.** It is hereby understood and agreed that: **(1)** a breach of this Agreement by Applicant or Employees would result in irreparable harm to BCF, the extent of which would be difficult to ascertain; **(2)** monetary damages would be an inadequate remedy for such a breach; and **(3)** BCF shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security and without waiving any additional rights or remedies otherwise available to BCF at law or in equity or by statute.
7. **Miscellaneous.**
 - a. **Severability.** If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.
 - b. **Headings.** Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

- c. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which when executed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by electronic transmission (including an electronic signature platform such as DocuSign or the transmission of a scanned PDF document) shall be effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year above written.

APPLICANT:

By: _____
Name: _____

EMPLOYEES:

By: _____
Name: _____

By: _____
Name: _____

By: _____
Name: _____

By: _____
Name: _____

EXHIBIT G
LIST OF FRANCHISEES

**LIST OF FRANCHISEES WITH OPEN FRANCHISED CAFES
AS OF DECEMBER 31, 2025**

Franchise Entity	Address	City	State	ZIP	Telephone Number
Feast California Café, LLC	5617 Paseo Del Norte	Carlsbad	CA	92008	760.444.3105
Feast California Café, LLC	4575 La Jolla Village Drive	San Diego	CA	92122	858.453.1333
Feast California Café, LLC	101 Broadway	San Diego	CA	92101	619.233.1642
Feast California Café, LLC	26440 Ynez Road	Temecula	CA	92591	951.719.3289
Cutter Restaurant Group, LLC	2253 E Briarwood Ave, Suite B5-509	Centennial	CO	80122	303.794.3900
Cutter Restaurant Group, LLC	717 17th St	Denver	CO	80202	303.292.5100
Cutter Restaurant Group, LLC	5680 N. Tower Rd., Ste 130	Denver	CO	80249	303.825.0525
Cutter Highlands Ranch, LLC	1601 Mayberry Drive, #102	Highlands Ranch	CO	80129	303.471.6400
Cafe Foods, Inc.	6721 W. 135th Street	Overland Park	KS	66223	913.955.2370
Bakery Ventures I, Ltd	2305 E. Lohman Ave	Las Cruces	NM	88001	575.541.5767
Silverstate Management Company	494 N Stephanie St	Henderson	NV	89014	702.840.2336
Cutter Group	19325 NW Emma Way, Ste 1210	Hillsboro	OR	97124	503.536.2375
MX Restaurants and Bakeries, Inc.	4938 S. Staples Street, #D12	Corpus Christi	TX	78411	361.500.6548
MX Restaurants and Bakeries, Inc	1774 Cimarron Rialto	El Paseo	TX	79912	915.955.5876
Bakery Ventures I, Ltd	1350a George Dieter	El Paso	TX	79936	915.855.1873
Bakery Ventures I, Ltd	655 Sunland Park Drive	El Paso	TX	79912	915.584.4600
Bakery Ventures I, Ltd	1144 N. Yarbrough Drive	El Paso	TX	79925	915.633.1392
Bakery Ventures I, Ltd	1301 Airway Blvd.	El Paso	TX	79925	915.772.5522
MX Restaurants and Bakeries, Inc.	1000 Main, Suite 101	Houston	TX	77002	713.651.0673
MX Restaurants and Bakeries, Inc.	2615 Southwest Freeway Ste 100	Houston	TX	77098	713.520.8211
MX Restaurants and Bakeries, Inc.	9311 H Katy Freeway	Houston	TX	77024	713.973.2037
MX Restaurants and Bakeries, Inc.	19355 Kathy Fwy #700	Houston	TX	77094	832.772.9874
MX Restaurants and Bakeries, Inc.	3400 W. Expressway 83, Suite 780	McAllen	TX	78503	956.800.6279
Cornerstone Foods, LLC	6227 South State Street #12	Murray	UT	84107	801.262.5555
The Corner at Ogden, LLC	4315 South Harrison Blvd.	Ogden	UT	84403	801.475.5506
Cornerstone Foods, LLC	610 Foothill Blvd.	Salt Lake City	UT	84113	801.583.2000
Central VA Café Inc.	11000 W Broad St	Glen Allen	VA	23060	804.447.3766
Cutter Restaurant Group, LLC	393 Strander Blvd	Tukwila	WA	98188	206.673.2955
Neo Forno, Inc	1305 E Capitol Dr	Shorewood	WI	53211	414.210.2972
Neo Forno, Inc.	11500 W. Burleigh Ave, Ste 102	Wauwatosa	WI	53222	414.476.2233

**LIST OF FRANCHISEES THAT HAVE SIGNED A FRANCHISE AGREEMENT
BUT NOT YET OPENED THEIR FRANCHISED CAFE AS OF DECEMBER 31, 2025**

None

**LIST OF FRANCHISEES WHO CLOSED A CAFE, WERE TERMINATED OR TRANSFERRED A CAFE
IN FISCAL YEAR ENDING DECEMBER 31, 2025**

Franchisee	City	State	Telephone Number	Reason
MX Restaurants and Bakeries, Inc.	McAllen	TX	956.278.8270	Ceased Operations – Other Reasons
RKO Bakeries, LLC	Tyler	TX	903.592.0000	Ceased Operations – Other Reasons
The Corner at Orem, LLC	Orem	UT	801.221.1088	Ceased Operations – Other Reasons

LIST OF AREA DEVELOPERS

None

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT H
FINANCIAL STATEMENTS

Best Cafe – Franchises, LLC
(A Limited Liability Company)

Audited Financial Statements

As of and for the Year Ended December 31, 2025 and 2024



Best Cafe – Franchises, LLC

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As of and For the Year Ended December 31, 2025 and 2024

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DANIEL P BALLEY, CPA, PC
A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Member and Management of
Best Cafe – Franchises, LLC
Dallas, Texas

Opinion

We have audited the accompanying financial statements of Best Cafe – Franchises, LLC (the Company), which comprise the balance sheet as of December 31, 2025 and 2024, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the reporting period then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation to the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit finding, and certain internal control related matters that we identified during the audit.



Daniel P. Balley, CPA, PC
Plano, Texas
April 29, 2026

Best Cafe – Franchises, LLC

Balance Sheets
As of Decemer 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash	\$ 300,269	\$ 201,021
Accounts receivable, net	460,264	384,001
Due from related parties	3,518,075	2,268,610
Prepaid expenses	<u>9,088</u>	<u>4,849</u>
Total current assets	4,287,696	2,858,481
Noncurrent assets:		
Acquired franchise agreements, net	<u>3,028,855</u>	<u>3,606,539</u>
Total noncurrent assets	<u>3,028,855</u>	<u>3,606,539</u>
Total assets	<u>\$ 7,316,551</u>	<u>\$ 6,465,020</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 183,888	\$ 98,796
Advertising fund liabilities	<u>378,363</u>	<u>44,586</u>
Total current liabilities	562,251	143,382
Member's equity	<u>6,754,300</u>	<u>6,321,638</u>
Total liabilities and member's equity	<u>\$ 7,316,551</u>	<u>\$ 6,465,020</u>

Best Cafe – Franchises, LLC

Statement of Operations For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues:		
Franchise royalty fees	\$ 3,006,957	\$ 3,194,479
Advertising fund fees	2,357,133	1,538,326
Other franchise fees	<u>233,678</u>	<u>151,852</u>
Total revenues	<u>5,597,768</u>	<u>4,884,657</u>
Expenses:		
Selling, general and administrative expenses	1,319,018	1,046,864
Advertising fund expenses	1,676,507	1,011,347
Management fees	1,591,897	1,637,547
Amortization expense	<u>577,684</u>	<u>1,042,272</u>
Total operating expenses	<u>5,165,106</u>	<u>4,738,030</u>
Net income	<u>\$ 432,662</u>	<u>\$ 146,627</u>

Best Cafe – Franchises, LLC

Statement of Member's Equity For the Years Ended December 31, 2025 and 2024

	<u>Accumulated Earnings</u>	<u>Member Contributions</u>	<u>Total Member Equity</u>
Balance, December 31, 2023	\$ 30,585	\$ 6,144,428	\$ 6,175,013
Net income	<u>146,625</u>		
Balance, December 31, 2024	177,210	6,144,428	6,321,638
Net income	<u>432,662</u>	<u>-</u>	<u>432,662</u>
Balance, December 31, 2025	<u>\$ 609,872</u>	<u>\$ 6,144,428</u>	<u>\$ 6,754,300</u>

Best Cafe – Franchises, LLC

Statement of Cash Flows For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Net income	\$ 432,662	\$ 146,627
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization of acquired franchise agreements	577,684	1,042,273
Increase (Decrease) in Assets and Liabilities:		
Accounts receivable	(76,263)	(81,915)
Due from related parties	(1,249,465)	(1,146,146)
Prepaid expenses	(4,239)	5,150
Accounts payable and accrued liabilities	85,092	47,734
Advertising fund liabilities	<u>333,777</u>	<u>(173,541)</u>
Net Cash Provided by (Used in) Operating Activities	<u>99,248</u>	<u>(159,818)</u>
Net Increase (Decrease) in Cash	99,248	(159,818)
Cash at Beginning of Year	<u>201,021</u>	<u>360,839</u>
Cash at End of Year	<u>\$ 300,269</u>	<u>\$ 201,021</u>

1. DESCRIPTION OF BUSINESS

Best Cafe – Franchises, LLC (the Company) was formed on May 9, 2023, as a wholly owned subsidiary of Best Cafe, LLC (the Parent) under the Delaware Limited Liability Company Act.

The Company is a franchisor that grants franchise agreements to businesses collectively (the franchisees) at locations approved by the Company. Under the terms of the franchise agreements, franchisees operate a Corner Bakery Cafe® fast-casual restaurant offering a limited menu of breakfast, lunch and dinner products and featuring artisan breads, salads, sandwiches, soups and baked goods.

A summary of franchisee activity by location follows:

Franchisees at December 31, 2023	37
2024 franchise agreements acquired	-
2024 terminations	(5)
Franchisees at December 31, 2024	32
2025 franchise agreements acquired	1
2025 terminations	(3)
Franchisees at December 31, 2025	30

The Parent has operated Company-owned Corner Bakery Cafes® since June 14, 2023, has the same business address as the Company and is not a franchisee.

In addition, the Company has other affiliates that operate other restaurant franchise companies. These affiliates operate a variety of different restaurant-style storefronts.

2. SUMMARY OF SIGNIFICANT POLICIES**Basis of Accounting**

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant estimates underlying the accompanying financial statements include revenue

recognition.

Fair Value Measurement

When required or elected, the Company reports certain assets and liabilities (financial instruments) at fair value (the estimated price at which an asset can be sold or a liability settled in an orderly transaction to a third party under current market conditions) using appropriate valuation techniques based on available inputs.

Available inputs are categorized (based on the amount of subjectivity associated with the information source) using a three-level fair value hierarchy defined by U.S. GAAP as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Observable inputs other than quoted prices for identical assets and liabilities

Level 3 – Unobservable inputs supported by little or no market activity

The Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 are not available. The fair value of the assets acquired by the Parent from the Predecessor is based on the fair value of accounts receivable and the franchise agreements using a discounted cash flow model and market analysis as performed by the Parent and a third-party consulting company, which are considered to be Level 3 inputs.

Cash

The Company may from time to time maintain bank deposits more than Federal Deposit Insurance Corporation (FDIC) limits. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivable, which consist of amounts owed to the Company related to franchise royalty fees, advertising fund fees, and other franchise fees, are recorded at the amounts billed to franchisees less an estimated allowance for credit loss expense and chargebacks.

Accounts receivable are generally considered delinquent when the payment is not received on or before the due date. The Company accounts for potential losses in accounts receivable utilizing the allowance method. The Company maintains an allowance for credit losses at the amount that it believes is sufficient to provide adequate protection against future losses. The provisions for credit losses are determined principally on the basis of experience in the preceding years, taking into account historical losses, industry standards, current economic conditions, reasonable forecasts, and discussions with franchisees. All accounts, or portions thereof deemed to be uncollectible, are written off to the allowance for credit losses. Management determined that a provision for credit losses or chargebacks was not required as of December 31, 2025 or 2024.

Deferred Contract Expense

The Company has evaluated the need to capitalize certain incremental costs to obtain customer contracts, and certain costs to fulfill contracts pursuant to Accounting Standards Codification (ASC) 340 – *Other Assets and Deferred Cost* (Topic 340) and determined that there are no costs that meet the definition for capitalization.

Intangibles

Cost incurred to acquire or develop intangible assets would be capitalized and amortized on a basis that approximates economic use. Costs incurred to renew or extend the term of a recognized intangible asset are capitalized and amortized over the renewed or extended term.

On June 14, 2023, the Company entered into an exclusive intercompany royalty-free license agreement with an affiliate that is a subsidiary of the Parent, Best Cafe – IP, LLC, for intangibles owned, developed, and acquired by the affiliate, such as trademarks, symbols, service marks, trade secrets, domain names, software, and know-how. This agreement allows the Company the right to use and license these intangibles in connection with the establishment and operation of franchisees and is perpetual unless terminated by the affiliate for misuse or discontinuation of operation by the Company. No value has been assigned to this related party licensing agreement given that no monetary consideration was required of the Company.

Franchise Agreements

The Company's franchise agreements result from franchise rights acquired from acquisitions and are initially recorded at fair value. The Company amortizes the franchise agreements over their estimated useful life on a straight-line basis.

Impairment

Long-lived assets, such as franchise agreements, are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and its eventual disposition are less than its carrying amount. Impairment, if any, is assessed by using internally developed discounted cash flows estimates, quoted market prices, when available and independent appraisals to determine fair value. The determination whether long-lived assets have become impaired involves a significant level of judgement in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Company's strategy, assumptions, and/or market conditions could significantly impact these judgements and require adjustments to recorded amounts of long-lived assets. No impairment triggering events were identified during 2025 and 2024.

Contract Liabilities

Initial franchisee fees are recorded as contract liabilities and recognized as revenue when earned. As of December 31, 2025 and 2024 there were no amounts yet to be recognized for contracts with franchisees.

Advertising Fund Liabilities

Advertising fund liabilities consist of liabilities recognized to reflect the contractual restriction that all funds collected in the Advertising Fund must be spent for designated purposes.

Revenue Recognition

The Company recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services using a five-step model.

Revenue from franchisees, which is primarily comprised of initial franchise fees, franchise royalty fees, advertising fund fees, and other franchise fees, is generated pursuant to a twenty-year renewable contract between the Company and a franchisee.

Initial Franchise Fees

During 2025, one franchise was sold resulting in an initial franchise fee of \$25,000 being charged. There were no franchisees sold during 2024.

As of December 31, 2025, there was one franchisee that owned seven locations, one franchisee that owned six locations, two franchisee that owned four locations each, two franchisee that owned three locations each, one franchisees that owned two locations, and two franchisees that owned one location each.

As of January 1, 2025, each franchisee is required to pay an initial franchise fee of \$40,000, upon signing a franchise agreement. The Company offers reduced franchise fees for franchisees that sign a Development Agreement to open two to three locations; however, at this time, no development agreements have been signed. Upon signing a Development Agreement the franchisee will pay \$25,000 for each location they agree to develop. The fee is recognizable at the time of the opening of the location.

The initial franchise fee obligates the Company to perform certain pre-opening services, such as assisting with site selection, preparing facilities for intended use, training, establishing operations, and overseeing quality control. Pursuant to ASU No. 2021-02 *Franchisors-Revenue from Contracts with Customers* (Subtopic 952-606), the Company has determined that these pre-opening services are distinct from the franchise license and has elected to recognize pre-opening services as a single performance obligation.

As of January 1, 2025, each franchisee looking to purchase an existing franchise location being sold by a current franchisee is required to pay a transfer fee of \$7,500 or such amount as agreed to by the Company. The transfer fee obligates the Company to perform the same pre-opening services related to an initial franchise fee.

Initial franchise fee and transfer fee revenue not yet recognized is included in contract liability on the balance sheet until earned.

The Company will determine the portion of the initial franchise fees, or transfer fees, that should be recognized in the month a franchisee opens for business and the remainder over the twenty year life of the franchise contract.

Franchises have the option to renew the franchise for ten years, up to two times, at the conclusion of the franchise agreement, with the Company's approval, subject to a renewal fee of half of the then current initial franchise fee, \$25,000 as of January 1, 2025.

Franchise Royalty Fees

The franchise agreement stipulates monthly royalty fees based on 5% of the gross sales of a franchise location, unless the Company and franchisee agree on a different amount, and obligates the Company to ongoing services, such as licensing intellectual property, updating the menu, training, advising, consulting, supporting and overseeing quality control.

The Company recognizes franchise royalty fees by applying the sales-and usage-based royalties exception, estimating the sales of franchisees when the franchisee's sales are executed, net of chargebacks. The Company has determined that no allowance for chargebacks was required as of December 31, 2025 or 2024.

Advertising Fund Fees

The franchise agreement stipulates monthly advertising fund contributions based on 0.75% of the gross sales of a franchise location, unless the Company and franchisee agree on a different amount. The Advertising Fund also receives monthly contributions of 0.75% of the gross sales of company-owned stores owned by an affiliate of the Company (affiliate-owned stores). These revenues obligate the Company to ongoing marketing services, such as producing media and advertisements, maintaining brand websites, maintaining loyalty programs, research and approving marketing plans and materials. The monthly advertising fee changed to 1.25% as of January 1, 2025.

These revenues are obligated to be used for advertising to build brand awareness and to support Cafes. Amounts received into the Advertising Fund are recognized as revenue in the month for which the fee is billed. The Company recognizes these revenues by applying the sales-and usage-based royalties exception, estimating the sales of franchisees, or affiliate-owned stores, when the sales are executed, net of chargebacks. The Company has determined that no allowance for chargebacks was required as of December 31, 2025 or 2024.

Advertising costs are expensed as incurred. All contributions to the Advertising Fund are contractually restricted for the benefit of the franchisees, and affiliate-owned stores. The Company recognizes an equal and offsetting liability on the Company's balance sheet for all amounts received, and records an equal and offsetting amount of expenses against all revenues. As a result, there is no impact to overall profitability of the Company from these revenues.

Other Franchise Fees

Other fees, such as technology and IT fees, noncompliance fees, late fees, insufficient funds fees, costs of collections, special support fees, records audits, and special inspection fees, are recognized as revenue in the period earned.

Income Taxes

Given that the Company is a wholly owned subsidiary of the Parent, it is considered a disregarded entity for tax reporting purposes: accordingly, no provision or benefit for federal or state income taxes is necessary since income, losses and credits are reported on the member's income tax returns.

The Company has determined that it does not have any material uncertain tax positions as of December 31, 2025 or 2024.

Member Contributions

Member contributions are recorded when received.

3. ACQUIRED FRANCHISE AGREEMENTS

At December 31, 2025 and 2024, acquired franchise agreements consisted of the following:

	Gross Amount	Accumulated Amortization	Net
Balance, December 31, 2023	\$ 5,348,075	\$ (699,263)	\$ 4,648,812
Additions	-	-	-
Amortization	-	(687,487)	(687,487)
Impairment	-	(354,785)	(354,785)
Other	-	-	-
Balance, December 31, 2024	\$ 5,348,075	\$ (1,741,535)	\$ 3,606,540
Additions	-	-	-
Amortization	-	(577,684)	(577,684)
Impairment	-	-	-
Other	-	-	-
Balance, December 31, 2025	\$ 5,348,075	\$ (2,319,219)	\$ 3,028,856

The average remaining life of acquired franchise agreements is 88 months at December 31, 2025.

There were no other changes to acquired franchise agreements during 2025, other than those reported in the schedule above. Further, during the fourth quarter of 2025, management performed its annual impairment review and determined that the carrying value of the assets was not impaired.

Best Cafe – Franchises, LLC

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

4. ADVERTISING FUND LIABILITIES

A summary of advertising fund liabilities activity during 2025 and 2024 is as follows:

	Franchises	Affiliate Owned Stores	Total
Balance, December 31, 2023	\$ 92,635	\$ 125,492	\$ 218,127
Contributions	538,790	999,536	1,538,326
Selling, general and administrative expenses	(204,112)	(378,657)	(653,905)
Advertising expenses	(389,159)	(721,948)	(1,111,107)
Management fees	(6,301)	(11,690)	(17,991)
Balance, December 31, 2024	\$ 31,853	\$ 12,733	\$ 44,586
Contributions	848,748	1,508,385	2,357,133
Selling, general and administrative expenses	(235,456)	(418,449)	(653,905)
Advertising expenses	(484,620)	(861,260)	(1,345,880)
Management fees	(8,256)	(15,316)	(23,571)
Balance, December 31, 2025	152,270	226,093	378,363

5. REVENUE DISAGGREGATION

A summary of disaggregated revenue by type and timing follows:

	2025	2024
Types of revenue stream:		
• 5% royalty fees, earned monthly based on gross sales of franchisees	3,006,957	3,194,479
• 1.25% advertising fund fees, earned monthly based on gross revenue of franchisees	2,357,133	1,538,356
• Other franchise fees, earned when billed	233,678	151,851
Total revenues	\$ 5,597,768	\$ 4,884,686
Timing of revenue recognition		
Recognized at a point in time	\$ 5,597,768	\$ 4,884,686
Transferred over time	-	-
Total revenues	\$ 5,597,768	\$ 4,884,686

A summary of disaggregated revenue by geography follows:

Revenue by geography:	
• West	54.6%
• Midwest	15.0%
• South	29.0%
• Southeast	1.4%
Total revenues	100.0%

A summary of assets and liabilities from contracts with franchisees follows:

	December 31, 2025	December 31, 2024
Accounts receivable	\$ 460,264	\$ 384,001

6. RELATED PARTY TRANSACTIONS

Due from Related Parties

The Company paid certain expenses on behalf of its affiliates totaling \$5,742,068 in 2025 and \$4,400,895 in 2024. The outstanding balances at December 31, 2025 and 2024 due under the resulting receivables were \$3,518,075 in 2025 and \$2,268,610 in 2024.

Management Fee

On June 14, 2023, the Company entered into a management services agreement with an affiliate, SSCP Management, Inc. (the Service Provider). This agreement requires that the service provider perform support service functions requested by the Company, such as, but not limited to: accounting and recordkeeping services, customer service for the Company, human resource services, information technology services, legal services and regulatory compliance services. In consideration for the services provided by the Service Provider, the Company is obligated to pay a service fee of 50% of net revenue other than advertising fund fees, and 1% of net revenue related to the advertising fund fees to the Service Provider.

Related party management fees charged to operations totaled \$1,591,897 and \$1,637,547 during 2025 and 2024, respectively of which \$23,571 and \$17,991 was recorded in advertising fund expenses. At December 31, 2025 and 2024, the unpaid balance of \$50,409 and \$248,789 were netted against due from related parties.

7. MEMBER'S EQUITY

The terms of formation of the Company were specified by a limited liability company operating agreement. Pursuant to the operating agreement, upon formation of the Company, the member contributed assets in exchange for ownership interests. Pursuant to the operating agreement, the Company is managed by its President. The operating agreement also contains provisions that limit, generally, the liability of members to their respective capital contributions. The Company will terminate at the discretion of the member or by provision of state law.

8. COMMITMENTS

According to the terms of signed agreements between the Company and its Franchisees, the Company is obligated to support the franchisees as outlined in the franchise agreements, such as: using the Advertising Fund for permitted expenses, advisory support, operational support, and maintaining the systems and marks that are held by or licensed to the Company.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2026, which is the date on which the financial statements were available to be issued. In general, these events are recognized in the financial statements if the conditions exist at the date of the balance sheet but are not recognized if the conditions do not exist at the balance sheet date. The Company discloses non-recognized events if required to keep the financial statements from being misleading. There were no subsequent events identified by the Company for disclosure.

Best Cafe – Franchises, LLC
(A Limited Liability Company)

Audited Financial Statements

As of December 31, 2024 and 2023, the year
ended December 31, 2024 and for the period from
May 9, 2023 (the formation date) to December 31, 2023



Best Cafe – Franchises, LLC

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As of December 31,2024 and 2023 and the reporting periods then ended

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DANIEL P BALLEY, CPA, PC

A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Member and Management of
Best Cafe – Franchises, LLC
Dallas, Texas

Opinion

We have audited the accompanying financial statements of Best Cafe – Franchises, LLC (the Company), which comprise the balance sheet as of December 31, 2024 and 2023, and the related statements of operations, member equity, and cash flows for the year ended December 31, 2024 and the period from May 9, 2023 (the formation date) to December 31, 2023 (Collectively, the Reporting Periods) and year end and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the reporting period then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation to the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit finding, and certain internal control related matters that we identified during the audit.



Daniel P. Balley, CPA, PC
Plano, Texas
April 17, 2025

Best Cafe – Franchises, LLC

Balance Sheets
As of Decemer 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash	\$ 201,021	\$ 360,839
Accounts receivable, net	384,001	302,086
Due from related parties	2,268,610	1,122,464
Prepaid expenses	4,849	10,000
Total current assets	2,858,481	1,795,389
Noncurrent assets:		
Acquired franchise agreements, net	3,606,539	4,648,812
Total assets	<u>\$ 6,465,020</u>	<u>\$ 6,444,201</u>
LIABILITIES AND MEMBER EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 98,796	\$ 51,061
Advertising fund liabilities	44,586	218,127
Total current liabilities	143,382	269,188
Member equity	6,321,638	6,175,013
Total liabilities and member equity	<u>\$ 6,465,020</u>	<u>\$ 6,444,201</u>

Best Cafe – Franchises, LLC

Statement of Operations For the Reporting Periods ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Franchise royalty fees, net	\$ 3,194,479	\$ 1,854,746
Advertising fund fees	1,538,326	893,409
Other franchise fees	<u>151,851</u>	<u>33,117</u>
Total revenues	<u>4,884,656</u>	<u>2,781,272</u>
Expenses:		
Selling, general and administrative expenses	1,046,864	213,555
Advertising fund expenses	1,011,347	893,409
Management fees	1,637,548	944,460
Amortization expense	<u>1,042,272</u>	<u>699,263</u>
Total operating expenses	<u>4,738,031</u>	<u>2,750,687</u>
Net income	<u>\$ 146,625</u>	<u>\$ 30,585</u>

Best Cafe – Franchises, LLC

Statement of Member Equity For the Reporting Periods ended December 31, 2024 and 2023

	<u>Accumulated Earnings</u>	<u>Member Contributions</u>	<u>Total Member Equity</u>
Balance, May 9, 2023	\$ -	\$ -	\$ -
Member contribution - pushdown accounting	-	6,144,428	6,144,428
Net income	<u>30,585</u>	<u>-</u>	<u>30,585</u>
Balance, December 31, 2023	\$ 30,585	\$ 6,144,428	\$ 6,175,013
Net income	<u>146,625</u>	<u>-</u>	<u>146,625</u>
Balance, December 31, 2024	<u>\$ 177,210</u>	<u>\$ 6,144,428</u>	<u>\$ 6,321,638</u>

Best Cafe – Franchises, LLC

Statement of Cash Flows For the Reporting Periods ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash provided by operating activities:		
Cash received from franchise royalty fees	\$ 2,861,906	1,604,088
Cash received from advertising fund fees	1,323,241	678,324
Cash received from other franchise fees	146,790	28,056
Cash received from acquired accounts receivable		796,353
Cash used by operating activities:		
Cash paid to employees	(1,184,888)	(675,282)
Cash paid to service providers and vendors	(2,160,721)	(815,396)
Net cash provided by operating activities	<u>986,328</u>	<u>1,616,143</u>
Cash flows from financing activities:		
Loans to related parties	(1,146,146)	(1,255,304)
Net cash used by financing activities	<u>(1,146,146)</u>	<u>(1,255,304)</u>
Net (decrease) increase in cash	(159,818)	360,839
Cash, beginning of period	<u>360,839</u>	<u>-</u>
Cash, end of period	<u>\$ 201,021</u>	<u>\$ 360,839</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 146,625	30,585
Amortization expense	1,042,272	699,263
Noncash change to due from related parties	(163,829)	157,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Accounts receivable	81,915	469,126
Prepaid expenses	5,151	(10,000)
Accounts payable and accrued liabilities	47,735	51,061
Advertising fund liabilities	<u>(173,541)</u>	<u>218,127</u>
Net cash provided by operating activities	<u>\$ 986,328</u>	<u>1,616,143</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:		
Member contribution of acquired franchise agreements	\$ -	\$ 5,348,075
Member contribution of acquired accounts receivable	-	796,353

1. DESCRIPTION OF BUSINESS

Best Cafe – Franchises, LLC (the Company) was formed on May 9, 2023, as a wholly owned subsidiary of Best Cafe, LLC (the Parent) under the Delaware Limited Liability Company Act.

The Company is a franchisor that grants franchise agreements to businesses (the franchisees) at locations approved by the Company. Under the terms of the franchise agreements, franchisees operate a Corner Bakery Cafe® fast-casual restaurant offering a limited menu of breakfast, lunch and dinner products and featuring artisan breads, salads, sandwiches, soups and baked goods.

A summary of franchisee activity by location follows:

Franchisees at May 9, 2023	-
2023 franchise agreements acquired	40
2023 terminations	(3)
Franchisees at December 31, 2023	37
2024 franchise agreements acquired	-
2024 terminations	(5)
Franchisees at December 31, 2024	32

The Parent has operated company-owned Corner Bakery Cafes® since June 14, 2023, has the same business address as the Company and is not a franchisee.

In addition, the Company has other affiliates that operate other restaurant franchise companies. These affiliates operate a variety of different restaurant-style storefronts, some of which are similar to those operated by the Company.

Push-Down Accounting

The Company's predecessor, CBC Restaurant Corp. (the Predecessor) previously owned and operated the company-owned and franchise Cafes and assigned the franchise agreements and related accounts receivable, with a fair value of \$5,348,075 and \$796,353, respectively, to the Company when the assets were purchased by the Parent on June 14, 2023. The Predecessor previously operated Corner Bakery Cafes from June 2006 until the purchase in June 2023.

The acquisition was recorded by the Parent in accordance with purchase accounting standards and the fair values of certain assets acquired were pushed down from the Parent to the Company. Under pushdown accounting, the acquiree uses the basis of the acquirer in the preparation of the acquiree's separate financial statements. Accordingly, the Company recorded the acquired assets at the estimated fair values as of June 14, 2023 which were used by the Parent to initially record the acquisition.

2. SUMMARY OF SIGNIFICANT POLICIES

Basis of Accounting

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

2023 Reporting Period

The 2023 reporting period is from May 9, 2023 (the formation date) to December 31, 2023 and is referred to herein as 2023.

Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant estimates underlying the accompanying financial statements include revenue recognition.

Fair Value Measurement

When required or elected, the Company reports certain assets and liabilities (financial instruments) at fair value (the estimated price at which an asset can be sold or a liability settled in an orderly transaction to a third party under current market conditions) using appropriate valuation techniques based on available inputs.

Available inputs are categorized (based on the amount of subjectivity associated with the information source) using a three-level fair value hierarchy defined by U.S. GAAP as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Observable inputs other than quoted prices for identical assets and liabilities

Level 3 – Unobservable inputs supported by little or no market activity

The Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 are not available.

The fair value of the assets acquired by the Parent from the Predecessor is based on the fair value of accounts receivable and the franchise agreements using a discounted cash flow model and market analysis as performed by the Parent and a third-party consulting company, which are considered to be Level 3 inputs.

Cash

The Company may from time to time maintain bank deposits more than Federal Deposit Insurance Corporation (FDIC) limits. Cash balances exceed federally insured amounts by \$110,839 as of December 31, 2023, while no cash balances exceed such limits as of December 31, 2024. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivable, which consist of amounts owed to the Company related to franchise royalty fees, advertising fund fees, and other franchise fees, are recorded at the amounts billed to franchisees less an estimated allowance for credit loss expense and chargebacks.

Accounts receivable are generally considered delinquent when the payment is not received on or before the due date. The Company accounts for potential losses in accounts receivable utilizing the allowance method. The Company maintains an allowance for credit losses at the amount that it believes is sufficient to provide adequate protection against future losses. The provisions for credit losses are determined principally on the basis of experience in the preceding years, taking into account historical losses, industry standards, current economic conditions, reasonable forecasts, and discussions with franchisees. All accounts, or portions thereof deemed to be uncollectible, are written off to the allowance for credit losses. Management determined that a provision for credit losses or chargebacks was not required as of December 31, 2024 or 2023, respectively.

Deferred Contract Expense

The Company has evaluated the need to capitalize certain incremental costs to obtain customer contracts, and certain costs to fulfill contracts pursuant to Accounting Standards Codification (ASC) 340 – *Other Assets and Deferred Cost* (Topic 340) and determined that there are no costs that meet the definition for capitalization.

Intangibles

Cost incurred to acquire or develop intangible assets would be capitalized and amortized on a basis that approximates economic use. Costs incurred to renew or extend the term of a recognized intangible asset are capitalized and amortized over the renewed or extended term.

On June 14, 2023, the Company entered into an exclusive intercompany royalty-free license agreement with an affiliate that is a subsidiary of the Parent, Best Cafe – IP, LLC, for intangibles owned, developed, and acquired by the affiliate, such as trademarks, symbols, service marks, trade secrets, domain names, software, and know-how. This agreement allows the Company the right to use and license these intangibles in connection with the establishment and operation of franchisees and is perpetual unless terminated by the affiliate for misuse or discontinuation of operation by the Company. No value has been assigned to this related party licensing agreement given that no monetary consideration was required of the Company.

Franchise Agreements

The Company's franchise agreements result from franchise rights acquired from acquisitions and are initially recorded at fair value. The Company amortizes the franchise agreements over their estimated useful life on a straight-line basis.

Impairment

Long-lived assets, such as franchise agreements, are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and its eventual disposition are less than its carrying amount. Impairment, if any, is assessed by using internally developed discounted cash flows estimates, quoted market prices, when available and independent appraisals to determine fair value. The determination whether long-lived assets have become impaired involves a significant level of judgement in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Company's strategy, assumptions, and/or market conditions could significantly impact these judgements and require adjustments to recorded amounts of long-lived assets. No impairment triggering events were identified during 2024 and 2023.

Contract Liabilities

Initial franchisee fees are recorded as contract liabilities and recognized as revenue when earned. As of December 31, 2024 and 2023 there were no amounts yet to be recognized for contracts with franchisees.

Advertising Fund Liabilities

Advertising fund liabilities consist of liabilities recognized to reflect the contractual restriction that all funds collected in the Advertising Fund must be spent for designated purposes.

Revenue Recognition

The Company recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services using a five-step model.

Revenue from franchisees, which is primarily comprised of initial franchise fees, franchise royalty fees, advertising fund fees, and other franchise fees, is generated pursuant to a twenty-year renewable contract between the Company and a franchisee.

Initial Franchise Fees

During 2024 or 2023, no franchises were sold, and accordingly, no initial franchise fees were charged.

As of December 31, 2024, there was one franchisee that owned eleven locations, one franchisee that owned seven locations, one franchisee that owned five locations, one franchisee that owned four locations, three franchisees that owned two locations each, and five franchisees that owned one location each.

As of January 1, 2024, each franchisee is required to pay an initial franchise fee of \$40,000, upon signing a franchise agreement. The Company offers reduced franchise fees for franchisees that sign a Development Agreement to open two to three locations; however, at this time, no development agreements have been signed. Upon signing a Development Agreement the franchisee will pay \$20,000 for each location they agree to develop. The fee is recognizable at the time of the opening of the location.

The initial franchise fee obligates the Company to perform certain pre-opening services, such as assisting with site selection, preparing facilities for intended use, training, establishing operations, and overseeing quality control. Pursuant to ASU No. 2021-02 *Franchisors-Revenue from Contracts with Customers* (Subtopic 952-606), the Company has determined that these pre-opening services are distinct from the franchise license and has elected to recognize pre-opening services as a single performance obligation.

As of January 1, 2024, each franchisee looking to purchase an existing franchise location being sold by a current franchisee is required to pay a transfer fee of \$7,500 or such amount as agreed to by the Company. The transfer fee obligates the Company to perform the same pre-opening services related to an initial franchise fee.

Initial franchise fee and transfer fee revenue not yet recognized is included in contract liability on the balance sheet until earned.

The Company will determine the portion of the initial franchise fees, or transfer fees, that should be recognized in the month a franchisee opens for business and the remainder over the twenty year life of the franchise contract.

Franchises have the option to renew the franchise for ten years, up to two times, at the conclusion of the franchise agreement, with the Company's approval, subject to a renewal fee of half of the then current initial franchise fee, \$20,000 as of January 1, 2024.

Franchise Royalty fees

The franchise agreement stipulates monthly royalty fees based on 5% of the gross sales of a franchise location, unless the Company and franchisee agree on a different amount, and obligates the Company to ongoing services, such as licensing intellectual property, updating the menu, training, advising, consulting, supporting and overseeing quality control.

The Company recognizes franchise royalty fees by applying the sales-and usage-based royalties exception, estimating the sales of franchisees when the franchisee's sales are executed, net of chargebacks. The Company has determined that no allowance for chargebacks was required as of December 31, 2024 or 2023, respectively.

Advertising fund fees

The franchise agreement stipulates monthly advertising fund contributions based on 0.75% of the gross sales of a franchise location, unless the Company and franchisee agree on a different amount. The Advertising Fund also receives monthly contributions of 0.75% of the gross sales of company-owned stores owned by an affiliate of the Company (affiliate-owned stores). These revenues obligate the Company to ongoing marketing services, such as producing media and advertisements, maintaining brand websites, maintaining loyalty programs, research and approving marketing plans and materials. The monthly advertising fee changed to 1.25% as of January 1, 2025.

These revenues are obligated to be used for advertising to build brand awareness and to support Cafes. Amounts received into the Advertising Fund are recognized as revenue in the month for which the fee is billed. The Company recognizes these revenues by applying the sales-and usage-based royalties exception, estimating the sales of franchisees, or affiliate-owned stores, when the sales are executed, net of chargebacks. The Company has determined that no allowance for chargebacks was required as of December 31, 2023 or 2024, respectively.

Advertising costs are expensed as incurred. All contributions to the Advertising Fund are contractually restricted for the benefit of the franchisees, and affiliate-owned stores. The Company recognizes an equal and offsetting liability on the Company's balance sheet for all amounts received, and records an equal and offsetting amount of expenses against all revenues. As a result, there is no impact to overall profitability of the Company from these revenues.

Other franchise fees

Other fees, such as technology and IT fees, noncompliance fees, late fees, insufficient funds fees, costs of collections, special support fees, records audits, and special inspection fees, are recognized as revenue in the period earned.

Income Taxes

Given that the Company is a wholly owned subsidiary of the Parent, it is considered a disregarded entity for tax reporting purposes: accordingly, no provision or benefit for federal or state income taxes is necessary since income, losses and credits are reported on the member's income tax returns.

The Company has determined that it does not have any material uncertain tax positions as of December 31, 2024 or 2023, respectively.

Member Contributions

Member contributions are recorded when received.

3. ACQUISITION

On May 9, 2023, the Parent became the sole member and parent of the Company. On June 14, 2023 (the acquisition date), the Parent entered into an agreement to purchase substantially all of the assets of the Predecessor. The Parent assigned all franchise accounts receivable and franchise agreements to the Company, and the Company elected to apply pushdown accounting whereby individual assets were recorded at the amounts established by the Parent as of the acquisition date. The Parent is required to reassess whether it has identified all of the assets acquired from the transaction, and there is at least a reasonable possibility that recorded amounts will change. The following information summarizes the recorded values of the assets acquired as of the date of the change-in-control:

Accounts receivable	\$ 796,353
Acquired franchise agreements	5,348,075
Total assets acquired	\$ 6,144,428

4. ACQUIRED FRANCHISE AGREEMENTS

At December 31, 2024 and 2023, acquired franchise agreements consisted of the following:

	Gross Amount	Accumulated Amortization	Net
Balance, May 9, 2023	\$ -	\$ -	\$ -
Additions	5,348,075	-	5,348,075
Amortization	-	(699,263)	(699,263)
Impairment	-	-	-
Other	-	-	-
Balance, December 31, 2023	\$ 5,348,075	\$ (699,263)	\$ 4,648,812
Additions	-	-	-
Amortization	-	(687,487)	(687,487)
Impairment	0	(354,785)	(354,785)
Other	-	-	-
Balance, December 31, 2024	\$ 5,348,075	\$ (1,741,535)	\$ 3,606,540

The average remaining life of acquired franchise agreements is 87 months at December 31, 2024.

There were no other changes to acquired franchise agreements during 2024, other than those reported in the schedule above. Further, during the fourth quarter of 2024, management performed its annual impairment review and determined that the carrying value of the assets was not impaired.

5. ADVERTISING FUND LIABILITIES

A summary of advertising fund liabilities activity during 2024 and 2023 is as follows:

	Franchises	Affiliate Owned Stores	Total
Balance, May 9, 2023	\$ -	\$ -	\$ -
Contributions	379,415	513,994	893,409
Selling, general and administrative expenses	(98,834)	(133,890)	(232,723)
Advertising expenses	(184,157)	(249,478)	(433,635)
Management fees	(3,790)	(5,134)	(8,924)
Balance, December 31, 2023	\$ 92,635	\$ 125,492	\$ 218,127
Contributions	538,790	999,536	1,538,326
Selling, general and administrative expenses	(204,112)	(378,657)	(582,769)
Advertising expenses	(389,159)	(721,948)	(1,111,107)
Management fees	(6,301)	(11,690)	(17,991)
Balance, December 31, 2024	\$ 31,853	\$ 12,733	\$ 44,586

6. REVENUE DISAGGREGATION

A summary of disaggregated revenue by type and timing follows:

	2024	2023
Types of revenue stream:		
• 5% royalty fees, earned monthly based on gross sales of franchisees	3,194,479	1,854,746
• 0.75% advertising fund fees, earned monthly based on gross revenue of franchisees	1,538,326	893,409
• Other franchise fees, earned when billed	151,851	33,117
Total revenues	\$ 4,884,656	\$ 2,781,272
Timing of revenue recognition		
Recognized at a point in time	\$ 4,884,656	\$ 2,781,272
Transferred over time	-	-
Total revenues	\$ 4,884,656	\$ 2,781,272

A summary of disaggregated revenue by geography follows:

	2024	2023
Revenue by geography:		
• West	39.0%	41.6%
• Southwest	4.0%	3.7%
• Midwest	12.8%	12.1%
• South	37.5%	35.5%
• Southeast	4.3%	4.8%
• Northeast	2.4%	2.3%
Total revenues	100.0%	100.0%

A summary of assets and liabilities from contracts with franchisees follows:

	December 31, 2024	December 31, 2023	May 9, 2023
Accounts receivable	\$ 384,001	\$ 302,086	\$ -

7. RELATED PARTY TRANSACTIONS**Due from Related Parties**

During 2024 and 2023 the Company paid certain expenses on behalf of its affiliates totaling \$4,400,895 and \$1,555,304, respectively. At December 31, 2024 and 2023, the outstanding balances due under the resulting receivables were \$2,268,610 and \$1,122,464, respectively.

Member Contributions

During 2023 member contributions totaled \$6,144,428 from pushdown accounting of assets acquired by the Parent.

Management Fee

On June 14, 2023, the Company entered into a management services agreement with an affiliate, SSCP Management, Inc. (the Service Provider). This agreement requires that the service provider perform support service functions requested by the Company, such as, but not limited to: accounting and recordkeeping services, customer service for the Company, human resource services, information technology services, legal services and regulatory compliance services. In consideration for the services provided by the Service Provider, the Company is obligated to pay a service fee of 50% of net revenue other than advertising fund fees, and 1% of net revenue related to the advertising fund fees to the Service Provider. Related party management fees charged to operations totaled \$1,637,547 and \$953,384 during 2024 and 2023, respectively of which \$X and \$8,924 was recorded in advertising fund expenses. At December 31, 2024 and 2023, the unpaid balance of \$248,789 and \$128,327 were netted against due from related parties.

8. MEMBER EQUITY

The terms of formation of the Company were specified by a limited liability company operating agreement. Pursuant to the operating agreement, upon formation of the Company, the member contributed assets in exchange for ownership interests. Pursuant to the operating agreement, the Company is managed by its President. The operating agreement also contains provisions that limit, generally, the liability of members to their respective capital contributions. The Company will terminate at the discretion of the member or by provision of state law.

9. COMMITMENTS

According to the terms of signed agreements between the Company and its franchisees, the Company is obligated to support the franchisees as outlined in the franchise agreements, such as: using the Advertising Fund for permitted expenses, advisory support, operational support, and maintaining the systems and marks that are held by or licensed to the Company.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 17, 2025, which is the date on which the financial statements were available to be issued. In general, these events are recognized in the financial statements if the conditions exist at the date of the balance sheet but are not recognized if the conditions do not exist at the balance sheet date. The Company discloses non-recognized events if required to keep the financial statements from being misleading. There were no subsequent events identified by the Company for disclosure.

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Best Café Franchises, LLC

Statement of Operations

For the periods ending January 31 and February 28, 2026

	Jan-26	Feb-26	YTD
Revenue			
Franchise royalty fees	\$228,599	\$233,373	\$461,972
Advertising fund fees	\$170,569	\$169,680	\$340,249
Other franchise fees	\$11,670	\$324,375	\$336,045
Total revenue	\$410,838	\$727,428	\$1,138,266
Expenses			
Selling, general and administrative expenses	\$55,744	\$36,823	\$92,567
Advertising fund expenses	\$146,468	\$161,419	\$307,887
Management fees	\$121,840	\$122,486	\$244,326
Amortization expenses	\$45,039	\$40,680	\$85,718
Total operating expenses	\$369,091	\$361,407	\$730,498
Net Income	\$41,747	\$366,021	\$407,768

Unaudited Financial Statements

Best Café - Franchises, LLC

Balance Sheet

As of February 28, 2026

	\$46,054
Assets	
Current Assets	
Cash	\$691,383
Accounts receivable, net	\$149,239
Due from related parties	\$3,796,514
Prepaid expenses	\$37,805
Total current Assets	<u>\$4,674,941</u>
Non-current Assets	
Acquired franchise agreements, net	<u>\$2,940,740</u>
Total non-current assets	<u>\$2,940,740</u>
Total Assets	<u>\$7,615,681</u>
Liabilities and Member's Equity	
Current liabilities	
Accounts payable and other accrued liabilities	\$63,600
Advertising fund liabilities	\$92,368
Total current liabilities	<u>\$155,968</u>
Member's equity	<u>\$7,459,713</u>
Total liabilities and member's equity	<u>\$7,615,681</u>

Unaudited Financial Statements

EXHIBIT I

STATE REQUIRED ADDITIONAL FDD DISCLOSURES

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF CALIFORNIA**

1. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

SEE THE COVER PAGE OF THE DISCLOSURE DOCUMENT FOR OUR URL ADDRESS. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

2. **Item 3, Additional Disclosure**. The following statement is added to Item 3:

Neither BCF nor any person listed in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such parties from membership in such association or exchange.

3. **Item 17, Additional Disclosures**. The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of the Franchise. If the franchise agreements contain a provision that is inconsistent with the law, the law will control.

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The franchise agreements provide for application of the laws of Texas. This provision may not be enforceable under California law.

The franchise agreements contain a choice of forum provision. This provision may not be enforceable under California law.

The franchise agreements contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The franchise agreement contains liquidated damages clauses. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must sign a general release when you execute the Franchise Agreement and the Development Agreement (if applicable) and if you transfer your franchise or development rights (if applicable) or execute a successor franchise agreement. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

4. **Item 22, Additional Disclosure.** The following statements are added to Item 22:

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

California's Franchise Investment Law (Corporations Code Sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

6. **Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE
REQUIRED BY THE STATE OF ILLINOIS**

Item 17, Additional Disclosures. The following statements are added to Item 17:

Illinois law governs the Franchise and Development Agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Item 22, Additional Disclosure. The following statement is added to Item 22:

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MARYLAND**

1. **Item 5, Additional Disclosures.** The following statements are added to Item 5:

Based upon the review of our audited financial statements (attached as Exhibit H), the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until we complete our pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments owed by developers shall be deferred until the first Franchised Cafe under the Development Agreement opens.

2. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

Any provisions requiring you to sign a general release of claims against us as a condition of renewal or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **Item 22, Additional Disclosure.** The following statement is added to Item 22:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MICHIGAN**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

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

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF NEW YORK**

1. **State Cover Page.** The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

1. The following is to be added at the end of Item 3:

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

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
 - B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
 - C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
 - D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.
2. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

3. The following language replaces the "Summary" section of Item 17(d), titled "Termination by a franchisee": "You may terminate the agreement on any grounds available by law."
4. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

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

5. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to these Additional Disclosures.

ADDITIONAL FDD DISCLOSURES REQUIRED BY THE STATE OF WASHINGTON

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as

determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.
19. **Fee Deferral.** The State of Washington has imposed a financial condition. Therefore, we will defer the payment of the Initial Franchise Fee until the Franchised Cafe opens for business. Upon the opening of the Franchised Cafe, you shall pay the Initial Franchise Fee to us.

EXHIBIT J

STATE REQUIRED AGREEMENT ADDENDA

**Illinois
Maryland
New York
Washington**

**ADDENDUM TO THE CORNER BAKERY CAFE
FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Corner Bakery Cafe Franchise Agreement dated _____ (“Franchise Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and _____ (“Franchisee,” “you” or “your”), a _____, is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Illinois; **(B)** you are a resident of the State of Illinois; and/or **(C)** the Franchised Cafe will be located in the State of Illinois.
2. Illinois law governs the Franchise Agreement.
3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
4. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
9. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

[Signatures follow on next page.]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**ADDENDUM TO THE CORNER BAKERY CAFE
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR ILLINOIS DEVELOPERS**

This Addendum to the Corner Bakery Cafe Area Development Agreement dated _____ (“Development Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and _____ (“Developer,” “you” or “your”), a _____, is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Illinois; **(B)** you are a resident of the State of Illinois; and/or **(C)** part or all of the Development Area is located in the State of Illinois.
2. Illinois law governs the Development Agreement.
3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
4. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
8. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.
9. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

[Signatures follow on next page.]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____
Name: _____
Title: _____
Date: _____

DEVELOPER

(IF ENTITY):

By: _____
Name: _____
Title: _____
Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]
Date: _____

**ADDENDUM TO THE CORNER BAKERY CAFE
FRANCHISE AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to the Corner Bakery Cafe Franchise Agreement dated _____ ("Franchise Agreement") between Best Cafe – Franchises, LLC ("Franchisor", "we", "us" or "our"), a Delaware limited liability company, and _____ ("Franchisee," "you" or "your"), a _____, is entered into simultaneously with the execution of the Franchise Agreement.

1 The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Maryland; **(B)** you are a resident of the State of Maryland; and/or **(C)** the Franchised Cafe will be located in the State of Maryland.

2 The following sentence is added to the end of Sections 2.2.5 (Renewal Franchise Agreement), 15.2.5 (Transfers by You) and 16 (General Release):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3 The following is added to the end of Section 4.1 of the Franchise Agreement (Initial Franchise Fee):

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under this Agreement.

4 The second sentence of Section 26 (Entire Agreement) is deleted.

5 The following sentence is added to the end of Section 27.3 (Choice of Forum):

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6 The following sentence is added to the end of Section 27.4 (Limitation of Actions):

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

7 The following sentence is added to the end of Section 30 (Representations):

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8 Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

9 Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

10 This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE

(IF ENTITY):

By: _____
Name: _____
Title: _____
Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]
Date: _____

**ADDENDUM TO THE CORNER BAKERY CAFE
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR MARYLAND DEVELOPERS**

This Addendum to the Corner Bakery Cafe Area Development Agreement dated _____ ("Development Agreement") between Best Cafe – Franchises, LLC ("Franchisor", "we", "us" or "our"), a Delaware limited liability company, and _____ ("Developer," "you" or "your"), a _____, is entered into simultaneously with the execution of the Development Agreement.

1 The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Maryland; **(B)** you are a resident of the State of Maryland; and/or **(C)** part or all of the Development Area is located in the State of Maryland.

2 The following is added to the end of Section 2 of the Development Agreement:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all development fees and initial payments owed by you shall be deferred until the first Cafe under this Agreement opens.

3 The following sentence is added to the end of Sections 7 and 8:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4 The following sentence is added to the end of Section 10:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5 The following sentence is added to the end of Section 10:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6 The following sentence is added to the end of Section 10:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7 The third sentence of Section 12 is deleted.

8 Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

9 Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

10 This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____
Name: _____
Title: _____
Date: _____

DEVELOPER

(IF ENTITY):

By: _____
Name: _____
Title: _____
Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]
Date: _____

**ADDENDUM TO THE CORNER BAKERY CAFE
FRANCHISE AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to the Corner Bakery Cafe Franchise Agreement dated _____ (“Franchise Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and _____ (“Franchisee,” “you” or “your”), a _____, is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of New York; (B) you are a resident of the State of New York; and/or (C) the Franchised Cafe will be located in the State of New York.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.
3. The following sentence is added to the end of Sections 2.2.5, 15.2.5, and 16:

Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added to Section 14:

We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.
5. The following sentence is added to the end of Sections 17.1.2 and 27.9:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.
6. The following sentence is added to the end of Section 27.2:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
9. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**ADDENDUM TO THE CORNER BAKERY CAFE
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR NEW YORK DEVELOPERS**

This Addendum to the Corner Bakery Cafe Area Development Agreement dated _____ ("Development Agreement") between Best Cafe – Franchises, LLC ("Franchisor", "we", "us" or "our"), a Delaware limited liability company, and _____ ("Developer," "you" or "your"), a _____, is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of New York; **(B)** you are a resident of the State of New York; and/or **(C)** part or all of the Development Area is located in the State of New York.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.
3. The following sentence is added to the end of Sections 7 and 8:

Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added to Section 7:

We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.
5. The following sentence is added to the end of Section 10:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.
6. The following sentence is added to the end of Section 10:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
8. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.
9. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

DEVELOPER

(IF ENTITY):

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**ADDENDUM TO THE CORNER BAKERY CAFE
FRANCHISE AGREEMENT AND RELATED AGREEMENTS
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the Corner Bakery Cafe Franchise Agreement dated _____ (“Franchise Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and _____ (“Franchisee,” “you” or “your”), a _____, is entered into simultaneously with the execution of the Franchise Agreement.

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Agreement regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the Franchise Agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the Franchise Agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the Franchise Agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the Franchise Agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the Franchise Agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in Franchise Agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the Franchise Agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the Franchise Agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the Franchise Agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the Franchise Agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the Franchise Agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the Franchise Agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the Franchise Agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the Franchise Agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.
19. **Fee Deferral.** The State of Washington has imposed a financial condition. Therefore, we will defer the payment of the Initial Franchise Fee until the Franchised Cafe opens for business. Upon the opening of the Franchised Cafe, you shall pay the Initial Franchise Fee to us.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**ADDENDUM TO THE CORNER BAKERY CAFE
AREA DEVELOPMENT AGREEMENT AND RELATED AGREEMENTS
REQUIRED FOR WASHINGTON DEVELOPERS**

This Addendum to the Corner Bakery Cafe Area Development Agreement dated _____ (“Development Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and _____ (“Developer,”: “you” or “your”), a _____, is entered into simultaneously with the execution of the Development Agreement.

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Development Agreement regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the Development Agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the Development Agreement or related agreements concerning your relationship with the franchisor. Development agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Development Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the Development Agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the Development Agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the Development Agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in Development Agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the Development Agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the Development Agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the Development Agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the Development Agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the Development Agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the Development Agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Development Agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the Development Agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.
19. **Fee Deferral.** The State of Washington has imposed a financial condition. Therefore, payment of the Development Fee will be released proportionally with respect to each Cafe opened and is deferred until have met our pre-opening obligations under the Franchise Agreement and the Cafe is open for business.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

FRANCHISOR

BEST CAFE - FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

DEVELOPER

(IF ENTITY):

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

EXHIBIT K

FRANCHISEE DISCLOSURE QUESTIONNAIRE

**FRANCHISEE DISCLOSURE QUESTIONNAIRE
TO BE COMPLETED BEFORE
SIGNING A CORNER BAKERY CAFE FRANCHISE AGREEMENT**

You are preparing to enter into a Corner Bakery Cafe Franchise Agreement ("Agreement") with Best Cafe - Franchises, LLC ("we" "our" or "us"). Please review each of the following questions carefully and provide complete responses to each.

Franchise Applicant _____

1. Have we provided you with a Franchise Disclosure Document at least 14 calendar days (or the earlier of the first personal meeting or 10 business days if you are a prospect based in or will operate in New York; the earlier of the first personal meeting or 14 days if you are a prospect based in or will operate in Iowa; or 10 business days if you are a prospect based in or will operate in Michigan) before you signed any agreements or paid any money or other consideration to us or our affiliates?

Yes ___ No ___

2. Did you sign a Receipt indicating the date on which you received the Franchise Disclosure Document?

Yes ___ No ___

3. Please list any questions you have regarding the franchise opportunity that you would like to discuss prior to signing the Agreement. (Attach additional pages, if necessary.)

4. Please list any information provided to you by any employee or other person speaking on our behalf concerning the sales, revenue, profits, or operating costs of one or more Corner Bakery Cafes operated by us, our affiliates, or our franchisees or that you may earn or experience that is in addition to the information contained in the Franchise Disclosure Document:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under any state franchise registration and disclosure law.

NOT FOR USE IN CALIFORNIA, HAWAII OR WASHINGTON STATE. DO NOT SIGN IF YOU ARE A MARYLAND RESIDENT OR IF YOUR FRANCHISED RESTAURANT WILL BE LOCATED IN MARYLAND.

FRANCHISE APPLICANT

[Insert name of Franchise Applicant]

By: _____
[Name of Person signing on behalf of Franchise Applicant]

Its: _____
[Title of Person signing on behalf of Franchise Applicant]

OWNER(S) OF FRANCHISE APPLICANT

[Insert name of Owner]

[Signature of Owner]

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
CALIFORNIA	Pending
ILLINOIS	Pending
MARYLAND	Pending
MICHIGAN	Pending
NEW YORK	Pending
WASHINGTON	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Best Cafe – Franchises, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make payment to, Best Cafe – Franchises, LLC or its affiliate in connection with the proposed sale or sooner if required by applicable state law. New York requires that Best Cafe – Franchises, LLC provides you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, Best Cafe – Franchises, LLC or one of its affiliates in connection with the proposed sale. Michigan requires that Best Cafe – Franchises, LLC provides you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Best Cafe – Franchises, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit A.

The franchise is being offered by the following franchise sellers, all of whom are located at Best Cafe – Franchises, LLC, 13355 Noel Road, Suite 1645, Dallas, Texas 75240 or (972) 644-9494 (check all that have been involved in the sales process):

- ☐ Jacqueline Sullivan ☐ Brandon Stewart
☐ Erin Hasselgren ☐

Issuance date: April 30, 2026

Best Cafe – Franchises, LLC authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I received a Disclosure Document dated April 30, 2026 that included the following exhibits: A. List of State Administrators, B. Agents for Service of Process, C. Franchise Agreement, D. Area Development Agreement, E. General Release, F. Confidentiality Agreement, G. List of Franchisees, H. Financial Statements, I. State Required Additional FDD Disclosures, J. State Required Agreement Addenda; and K. Franchisee Disclosure Questionnaire.

Date of Receipt: _____

Signature _____

Print Name _____

Company Name

Street Address

Telephone Number

City, State Zip Code

TO BE RETAINED BY YOU

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Best Cafe – Franchises, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make payment to, Best Cafe – Franchises, LLC or its affiliate in connection with the proposed sale or sooner if required by applicable state law. New York requires that Best Cafe – Franchises, LLC provides you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, Best Cafe – Franchises, LLC or one of its affiliates in connection with the proposed sale. Michigan requires that Best Cafe – Franchises, LLC provides you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Best Cafe – Franchises, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit A.

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Date of Receipt: _____

Signature _____

Print Name _____

Company Name

Street Address

Telephone Number

City, State Zip Code

TO BE RETURNED TO FRANCHISOR