FRANCHISE DISCLOSURE DOCUMENT

Manhattan Bagel Company, Inc.
a New Jersey corporation
1720 S. Bellaire St., Suite Skybox
Denver, Colorado 80222
Telephone: (303) 568-8000
FranchiseSales@bagelbrands.com
Website: *www.manhattanbagel.com*

A "Manhattan Bagel" franchisee will operate a business (a "Manhattan Bagel Restaurant") that specializes in the sale of fresh–baked bagels, muffins, cookies, cream cheese and other spreads, specialty coffees and teas, and creative soups, salads and sandwiches, among other things.

The total initial investment necessary to begin operation of a Manhattan Bagel restaurant franchise ranges from $582,000 to $1,093,700. This includes $40,200 to $50,200 that is paid to us or our affiliate(s).

If you enter into an area development agreement, the development fee will be $10,000 for each Manhattan Bagel Restaurant to be opened under that agreement. The number of Restaurants that you will develop under the area development agreement is determined by a mutual agreement between you and us, but it must be a minimum of two.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Matthew Copenhaver, Chief Development Officer, at Manhattan Bagel Company, Inc., 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 (303.568.8000).

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

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

The issuance date of this Franchise Disclosure Document is April 25, 2025

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 F.
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 *Manhattan Bagel* 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 *Manhattan Bagel* franchisee?	Item 20 or Exhibit F 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 D.

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:

> **Out-of-State Dispute Resolution.** The franchise agreement and development agreement requires you to resolve disputes with us by mediation and litigation in Colorado. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in Colorado than in your own state.

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.

MANHATTAN BAGEL COMPANY, INC.
FRANCHISE DISCLOSURE DOCUMENT

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Exhibits

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

The Franchisor

Manhattan Bagel Company, Inc. ("**us**", "**our**" or "**we**") is the franchisor. We maintain our principal place of business at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 (303.568.8000). We do not maintain sales offices at any location other than our principal place of business. We do not use any sales brokers or other sales organizations.

We are a New Jersey corporation, and were originally incorporated in 1987. We conduct business under the names and marks "Manhattan Bagel Company, Inc." and "Manhattan Bagel," and do not conduct business under any other name.

We franchise the right to operate a "Manhattan Bagel" restaurant (the "**Restaurant**"). We began to offer these franchises in 1991. We have operated company–owned "Manhattan Bagel" restaurants since 1987. We or our affiliates also produce bagels which are sold to our franchised restaurants and which may be sold to our affiliates and their franchisees (see below). We do not offer any franchise other than as described in this disclosure document, and, except for the manufacture of bagels described above, we do not engage in any business activity other than the franchising and operation of restaurants using the "Manhattan Bagel" names and marks. As of December 31, 2024, we had 68 franchised, no company-owned, and no licensed "Manhattan Bagel" restaurants.

Our agents for service of process are listed in Exhibit E to this disclosure document.

Our Corporate Parent

Our corporate parent company is Einstein Noah Restaurant Group, Inc. ("**ENRG**"), a Delaware corporation, whose principal place of business is also at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 (303.568.8000). ENRG was incorporated on October 21, 1992 as World Coffee, Inc. Later, ENRG's name was changed to New World Coffee, Inc., New World Coffee & Bagels, Inc., New World Coffee-Manhattan Bagel, Inc., New World Restaurant Group, Inc., and, in 2007, to Einstein Noah Restaurant Group, Inc. ENRG has never offered franchises other than for "New World Coffee & Bagel" restaurants, as explained below in this Item 1.

In addition to owning our company, our corporate parent, ENRG, also owns, operates, franchises, and licenses, directly or through its wholly-owned subsidiaries, other bagel bakery cafés and coffee retail restaurants, as well as a bagel dough manufacturing operation. Its retail locations operate under trade names and trademarks other than ours, including "Einstein Bros. Bagels," and "Noah's New York Bagels" (or "Noah's Bagels"). As mentioned below, ENRG operates, and has offered franchises to others to operate restaurants since 1992.

As of December 31, 2024, there were 63 franchised, 274 licensed, and 352 company-owned "Einstein Bros. Bagels" retail stores, and no franchised or licensed, and 55 company–owned "Noah's New York Bagels" or "Noah's Bagels" retail stores. (This disclosure document does not provide for the offer of franchises under those names, marks, and franchise systems. Information about those systems, to the extent that they are currently engaged in the offer and sale of franchises, can be found in other disclosure documents that we will make available to you upon request.) In addition, ENRG may directly and indirectly sell products under the names "Manhattan Bagel", "Einstein Bros.", and "Noah's Bagels" in other settings such as

supermarkets and over the internet. Chesapeake Bagel Franchise Corp., a N.J. corporation (a subsidiary of ENRG whose offices are the same as ours) franchised restaurants under the "Chesapeake Bagels" name and marks from 1999 until 2009.

Predecessors and History of Operations

We have no predecessors.

On November 19, 1997, we filed a petition to reorganize under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey. We emerged from bankruptcy on November 25, 1998, when we were purchased by ENRG.

On May 12, 2000, ENRG acquired 17 New York Bagel Enterprises, Inc. ("**NY Bagel**") company–owned stores located in Oklahoma and Kansas in a Chapter 11 Bankruptcy sale. The acquisition included the rights to the franchise agreements for 13 existing NY Bagel franchises, but ENRG does not intend to exercise its rights regarding the franchises. On July 12, 2000, ENRG acquired 6 Lots' A Bagels, Inc. ("**LAB**") stores, an affiliate of NY Bagel. ENRG has closed these stores. ENRG will not sell franchises or open any new stores under the NY Bagel or LAB names.

On November 5, 2014, JAB Holding Company ("**JAB**") acquired ENRG and its subsidiaries, including us. JAB is a member of the Joh. A Benckiser Group, a German-based firm. JAB also owns majority interests in Caribou Coffee Company, Inc. ("**CCC**," the franchisor of the "Caribou Coffee" brand), Peet's Coffee, Inc. ("**Peet's Coffee**," the franchisor of the "Peet's Coffee" brand), Pret Intermediate Company, Inc. ("**Pret**," the franchisor of the "Pret A Manger" brand), D.E. Master Blenders 1753 N.V. (a Dutch a coffee and tea brand), as well as other consumer products companies. CCC is ENRG's direct corporate parent.

JAB Holdings B.V. is the indirect majority holder of Panera Brands, Inc., a Delaware Corporation ("**Panera Brands**"). Panera Brands indirectly owns all of the equity interest in PBC (defined below).

Our Affiliates

Our affiliates are described below. We do not offer franchises for our affiliates' other concepts under this disclosure document (additional information concerning those systems may be available from ENRG's corporate offices or through a separate disclosure document).

Einstein and Noah Corp.

ENRG owns all of the stock of Einstein and Noah Corp. ("**ENC**"), a Delaware corporation. ENC was originally incorporated on May 11, 2001 as "Einstein Acquisition Corp." ENC changed its name to Einstein and Noah Corp. on November 2, 2001. ENC's principal place of business is the same as ours at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222. ENC has operated the restaurants comprising the Einstein and Noah Restaurant System since the date of the Acquisition (defined below). Although ENC also operates "Noah's New York Bagel" and "Noah's Bagel" restaurants, ENC does not offer franchises using the "Noah's" name. ENC also operates a bagel dough manufacturing facility that sells products to its company-owned, franchised and licensed restaurants, as well as third parties. ENC offered Einstein Bros. Bagels from 2006 until June 2016, but did not offer franchises in any other line of business during that time. ENC no longer offers franchises in any line of business.

On June 19, 2001, Einstein Acquisition Corp. successfully completed its acquisition of the Einstein and Noah Restaurant System (the "**Acquisition**"). ENC (Einstein Acquisition Corp.) changed its name to "Einstein and Noah Corp." on November 2, 2001. ENC has operated the restaurants comprising the Einstein and Noah Restaurant System since the date of the Acquisition, June 19, 2001, and ENC is not currently franchising "Noah's New York Bagels" restaurants.

On February 8, 2016, ENRG formed Einstein Bros. Bagels Franchise Corporation ("**EBBFC**"), a Colorado corporation, to be the franchisor of the Einstein and Noah Restaurant System. ENC transferred its "Einstein Bros. Bagels" franchise agreements to EBBFC in June 2016. EBBFC's principal place of business is at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222. Other than "Einstein Bros. Bagels" franchises and "Noah's New York Bagels" franchises, EBBFC has never offered, and does not offer, franchises in any other line of business.

Noah's New York Bagels Company

As discussed above, ENC also operates restaurants under the "Noah's New York Bagels" and "Noah's Bagels" marks and system.

Caribou Coffee Company, Inc.

CCC is a Minnesota corporation with its principal address at 3900 Lakebreeze Avenue, Minneapolis, Minnesota 55429. CCC has operated coffeehouses in the United States since 1992. Between May 2004 and July 2006, CCC granted several licenses in the United States for airport-based "Caribou Coffee" coffeehouses to several sophisticated, experienced national or regional multi-brand foodservice operators who previously had operated and/or then were operating other coffeehouse concepts as part of their multi-brand foodservice operations. CCC also granted one international master license in 2004, and since 2005 has granted to that same international master licensee or its affiliates approximately 270 international unit licenses as of December 26, 2023. CCC no longer grants franchises or licenses for coffeehouses in the United States, although CCC may continue granting international unit licenses to its international master licensee, or that master licensee's affiliates, until the time (to be determined) when CCC formally assigns its rights under the international master license agreement and the international unit licenses to CCDC (defined below). In addition, CCC supplies certain Caribou Trade Secret Products and Caribou Branded Products to franchisees (as noted in Item 8 below). As of December 26, 2024, there were 152 franchised and licensed Caribou coffeehouses in the United States, and 355 coffeehouses operated by CCCI's affiliate, Caribou Coffee Operating Company, Inc. in the United States. From 2016 to 2020, CCC also offered franchises (by exemption) or licenses for coffee and bagel restaurants co-branded under the "Caribou Coffee" and "Einstein Bros." marks ("**Coffee & Bagels Stores**"), as described below. CCC has not offered franchises or licenses in any other line of business.

Coffee & Bagels

One of CCC's wholly-owned subsidiaries, Caribou Coffee Development Company, Inc. ("**CCDC**") granted franchises for Coffee & Bagels Stores operating under the name "Caribou Coffee & Einstein Bros. Bagels" and other related marks from 2016 to 2020. CCDC is the guarantor of our obligations to our franchisees, and CCDC has provided its financial statements as part of Item 21 of this disclosure document. CCDC's principal address is 3900 Lakebreeze Avenue, Minneapolis, Minnesota 55429. As of December 31, 2024 there were no franchised or

licensed Coffee & Bagels Stores in the United States. CCDC has not offered franchises or licenses in any other line of business.

Peet's Coffee, Inc.

Peet's Coffee, Inc., a Virginia corporation ("**Peet's Coffee**"), owns and operates "Peet's Coffee" retail coffee stores in the U.S., a business it has operated since 1966. Since 2001, it also has licensed or franchised (by exemption) the use of the "Peet's Coffee" marks to third parties that sell its products through retail stores. Peet's Coffee's principal place of business is 1400 Park Avenue, Emeryville, California 94608. As of December 31, 2024, Peet's Coffee had 200 company or affiliate owned Stores and 56 licensed stores,. In addition, Peet's distributes Peet's Coffee & Tea products through grocery stores and other chains of distribution. Peet's Coffee & Tea stores sell coffee, tea, blended, iced and other beverages and café and bakery foods. In 2015, Peet's also acquired a controlling interest in (i) Stumptown Coffee Corp., the owner and operator of nine Stumptown Coffee Roasters retail coffee stores and two licensed stores as of December 31, 2024, and (ii) Intelligentsia Coffee Inc., the owner and operator of 14 Intelligentsia retail coffee stores and no licensed stores. The principal business address of Stumptown Coffee Corp. is 100 SE Salmon, Portland, Oregon 97214. The principal business address of Intelligentsia Coffee Inc. is 1850 West Fulton Street, Chicago, Illinois 60612. Peet's Coffee has not offered licenses or franchises in any other line of business.

Jacobs Douwe Egberts BR Comercialização de Cafés Ltda.

Jacobs Douwe Egberts BR Comercialização de Cafés Ltda., a Brazilian entity ("**JDE Brazil**"), franchises "Café do Ponto" and "Casa Pilao" retail coffee stores through a master franchise agreement in Brazil. These stores sell coffees, teas, baked goods, sandwiches, and other beverages and food products. The principal business address of JDE Brazil is Av. Dr. Marcos Penteado de Ulhoa Rodrigues, 939, 2nd floor, Cond. Castelo Branco Office Park, 06460-040, Barueri, Brazil. According to information publicly available online, as of December 31, 2024, there were approximately 44 subfranchised "Café do Ponto" locations and approximately 16 "Casa Pilao" subfranchised locations in operation in Brazil. JDE Brazil began operating and franchising "Café do Ponto" stores franchises in 1998, although it no longer operates any "Café do Ponto" and "Casa Pilao" coffee stores and only grants unit franchises through its sole master franchisee. JDE Brazil has not sold franchises in any other line of business.

Krispy Kreme Doughnut Corporation

Krispy Kreme Doughnut Corporation ("**KKDC**"), a North Carolina corporation, is a franchisor and operator of "Krispy Kreme" stores, which offer a variety of doughnuts, beverages and other related products and services, and "commissary facilities," which are manufacturing facilities that supply doughnuts and other products to stores and other wholesale customers. "Krispy Kreme" was founded in 1937 and has been in the doughnut and coffee business continuously in various corporate forms since that time. KKDC, directly or through its predecessors, has offered "Krispy Kreme" franchises since the 1950's. The principal place of business for KKDC is 370 Knollwood Street, Winston-Salem, North Carolina. As of December 31, 2024, KKDC had 263 company owned stores and commissary facilities and 96 franchised stores in the U.S. KKDC or its affiliates may directly or indirectly sell products under the name Krispy Kreme or related marks in other channels such as supermarkets, warehouse stores, over the internet and through other channels of distribution. KKDC has not sold franchises in any other line of business.

Panera Bread Company

On July 20, 2017, JAB acquired Panera Bread Company ("**PBC**"), a Delaware limited liability company. PBC's wholly owned subsidiary, Panera, LLC, a Delaware limited liability company, is a franchisor and operator of Panera Bread Bakery-Cafe stores, which offer a variety of fresh bakery goods, sandwiches, soups, salads, pasta dishes, custom-roasted coffee and other café beverages, and other items, including bagels. Panera, LLC has been franchising and operating company-owned Panera Bread Bakery-Cafes since December 1993. All Panera Bread Bakery-Cafes operate under the "Panera Bread" name except for company owed bakery-cafes located in the St. Louis, Missouri market area, which do business under the name "Saint Louis Bread Company." The principal place of business for PBC and Panera, LLC is 3630 South Geyer Road, Suite 100, St. Louis, Missouri 63127. According to its franchise disclosure document, as of December 31, 2024, Panera, LLC had 1,105 franchised stores in the U.S. and 1,101 company owned stores

Bruegger's Enterprises, Inc.

On October 5, 2017, CCC acquired Bruegger's Enterprises, Inc. ("**BEI**"). BEI does business under the "Bruegger's" and "Bruegger's Bagels" brands. Its retail stores sell bagels, coffee, tea and other café and bakery products and beverages. BEI is a Delaware corporation which has been franchising or operating company owned outlets since 2003. Bruegger's Franchise Corporation is the franchisor for BEI and as of December 31, 2024, there were 48 franchised and 130 company owned "Bruegger's Bagels" stores in the U.S. Its principal place of business is 1720 S. Bellaire. St. Suite Skybox, Denver, CO 80222.

Pret Intermediate Company, Inc.

*Pret Intermediate Company, Inc. ("**Pret**").* Pret, a Delaware corporation, is the parent company for the Pret group, for which Pret A Manger (Europe) Ltd, a UK company, is the main operating entity. Pret operates fresh food and coffee retail shops in nine markets around the world, primarily under the "Pret A Manger" and "Pret" brands as well as limited numbers of Veggie Pret and Petit Pret shop formats. The business was founded in 1986 in the UK. In addition to company owned shops, Pret has franchised the use of the "Pret A Manger" marks to third parties that sell its products through retail stores. Pret's principal place of business is 75B,

10 Bressenden Place, London, SW1E 5DH, United Kingdom. As of December 31, 2024, Pret operates in twenty markets (UK, US, France, Hong Kong, United Arab Emirates, Kuwait, Qatar, Saudi Arabia, India, Germany, Republic of Ireland, Belgium, Italy, Spain, Portugal, Switzerland, Luxembourg, Greece, Canada, and Singapore) with 408 company owned shops and 309 franchised shops.

None of the affiliated franchisors are obligated to provide products or services to you; however, you may have the option to (or we may require that you) purchase products or services from these affiliates. Except as described above, we have no other parents, predecessors or affiliates that must be included in this Item.

The Franchise Offered

A Restaurant is operated in a building that bears our trade dress (interior, exterior, or both). A Restaurant specializes in the sale of Proprietary Items, including fresh–baked bagels, cream cheese and other spreads, specialty coffees and teas, sweets, and creative soups, salads and sandwiches, and other additional products as we may specify periodically, as well as non-proprietary Items such as sandwiches, salads, soups, and other beverage items for on-premises and carry-out consumption (collectively, the "**Products**").

Area Development Agreement

We offer to qualified companies (a "**Developer**" or "**you**") the right (and they accept the obligation) to develop an agreed-upon number of Restaurants within a specific geographic area ("**Development Area**") under our area development agreement (the "**Area Development Agreement**") (a copy can be found at Exhibit B to this disclosure document). Under an Area Development Agreement, you will be required to establish an agreed-upon number of Restaurants (a minimum of two) within the Development Area, at specific locations (to be specified in separate Franchise Agreements)(as explained below). An important part of the Area Development Agreement is a development schedule (the "**Development Schedule**"), which spells out the number of Restaurants that you agree to have established by certain benchmark dates.

The Franchise Agreement for the first Restaurant to be developed under an Area Development Agreement will be in the form that is attached to the Area Development Agreement, and the Franchise Agreement for each additional Restaurant to be developed under an Area Development Agreement will be the then-current form of franchise agreement that we are generally offering when the Franchise Agreement is to be signed. The then-current form of Franchise Agreement may differ from the form of Franchise Agreement attached to this disclosure document.

Franchise Agreement

We offer to enter into franchise agreements ("**Franchise Agreements**") with qualified corporations and persons ("**you**") that wish to establish and operate Restaurants (a copy of the Franchise Agreement is attached as to this disclosure document as Exhibit A). (In this disclosure document, "you" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the "franchisee".) Under a Franchise Agreement, we will grant you the right (and

you will accept the obligation) to operate a Restaurant at an agreed–upon specified location (the **"Approved Location"**).

Manhattan Bagel Restaurants

Restaurants are characterized by our system (the "**System**"). Some of the features of our System are a specially–designed building or facility, with specially developed equipment, equipment layouts, signage, distinctive interior and exterior design and accessories; Products; procedures for operations; quality and uniformity of products and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs. We may periodically change, update, improve, and eliminate parts of the System.

You must operate your Restaurant according to our standards and procedures, as set out in our Confidential Operating Manual (the "**Manual**"). We will lend you a copy of the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use our marks, including the mark "Manhattan Bagel" and any other trade names and marks that we designate in writing for use with the System (the **"Proprietary Marks"**).

Other (Discontinued) Programs

Previously, in some states, we offered a Master Franchise program. These "Master Franchisees" were sub–franchisors who sold franchises and performed certain obligations in their exclusive territories. We currently have no Master Franchisees and no longer offer the Master Franchisee program.

In 1993, we offered franchises in a chicken concept known as "Broadway Chicken." We sold five of these franchises, none of which are currently operating. We no longer offer these franchises.

Industry–Specific Regulations

You must comply with all local, state, and federal laws that apply to your Restaurant operations, including, for example, zoning, building code, health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, sexual harassment, and tax laws. The Americans with Disability Act of 1990 and state equivalents require readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. For example, you must obtain permits for your building, construction, outdoor patio, and zoning, as well as operational licenses. There are also regulations that pertain to sanitation, food and menu labeling (such as nutritional and caloric information), food preparation, food handling, food content (such as on transfats), and food service. You must comply with all applicable federal, state, and local laws and regulations during the operation of your Restaurant. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Restaurant's operation.

Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains that offer bagels, coffee, breads, sandwiches, breakfast items, lunch items, and related products, and which may compete with the products offered at a Restaurant. The market for these items is well-established and very highly competitive. Bagel and coffee restaurants, and breakfast and lunch businesses, compete on the basis of many

factors, such as price, service, location, product offerings and quality, speed of service, hospitality, customer experience, and store promotions and marketing programs. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and traffic patterns. To the extent that customers may be able to buy "Manhattan Bagel" brand products from other sources (for example, from other restaurants, our website, club stores, supermarkets), and to the extent that other restaurants operating under the System deliver products in your area, you may appear to, or actually, compete with other sellers of those branded products. In addition, to the extent that customers may be able to buy bagels, coffee, and other products under the "Bruegger's," "Caribou," "Noah's" and "Einstein Bros." names, you may appear to, or actually, compete with sellers of these products.

ITEM 2
BUSINESS EXPERIENCE

President CEO and Director: Jessica DePetro

Ms. DePetro has been our CEO since February 2025, our President since March 2024 and a Member of our Board of Directors since August 2022. She was our Chief Financial Officer from August 2022 to February 2024 and our Acting President from September 2023 to March 2024. Before that, she was Vice President of Finance at Vail Resorts in Broomfield, Colorado from May 2021 to August 2022. Ms. DePetro was Executive Vice President of Finance at Life Time the Healthy Way of Life Company in Chanhassen, Minnesota from May 2016 to May 2021.

Chief Financial Officer: Paul Hill

Mr. Hill has been our Chief Financial Officer since February 2024. He was Chief Financial Officer of Highline Group in Denver, Colorado from March 2023 to February 2024. Mr. Hill was self employed and a consultant to Kohana Coffee in Highlands Branch, Colorado from November 2022 to March 2023. From April 2022 to November 2022, he was Chief Financial Officer of Kohana Coffee in Denver, Colorado. Mr. Hill was with Sovos Brands in Louisville, Colorado as Senior Vice President, Finance from August 2021 to April 2022, and as Vice President FP&A from September 2019 to August 2021. From June 2019 to September 2019, he was Chief Financial Officer at The Seaweed Bath Co. in Boulder, Colorado, and from April 2016 to June 2019 he was Chief Financial Officer at Organic India USA in Boulder, Colorado.

Chief Technology Officer: Markus Lonnquist

Mr. Lonnquist has been our Chief Technology Officer since March 2021. He is also currently, and has been since March 2021, Chief Information Officer for EBBFC and BEI. From August 2018 to March 2021, Mr. Lonnquist was owner of LMI Consulting, LLC in Highlands Ranch, Colorado. He was a Principal of People Before Things, LLC in Parker, Colorado from January 2017 to August 2018. Mr. Lonnquist was Business Relationship Director – Finance & Real Estate and Director of IT Transformation for Red Robin Gourmet Burgers in Greenwood Village, Colorado from November 2014 to December 2016.

Chief Legal Officer and Director: Michael W. Davis

Mr. Davis has been our Chief Legal Officer since February 2021. Before that, he served as our Senior Vice President, General Counsel and Secretary from May 2018 to February 2021. Mr. Davis has been a Member of our Board of Directors, since May 2018. He also currently serves as Chief Legal Officer and Secretary of EBBFC, BEI, and CCDC since February 2021. From May 2018 until February 2021, Mr. Davis was Senior Vice President, General Counsel and Secretary of EBBFC, BEI, and CCDC. He was our Vice President, General Counsel and

Secretary from March 2018 until May 2018 and served as Vice President, Associate General Counsel and Assistant Secretary or Corporate Counsel for ENC from January 2014 to March 2018.

Chief Development Officer: Matthew Copenhaver

Mr. Copenhaver has been our Chief Development Officer since January 2024. Before that, from October 2019 to January 2024, he was Chief Development Officer for nd Go Concepts, LLC in Dallas, Texas. Mr. Copenhaver was Global Director of Development for Qurate Retail Group in Westchester, Pennsylvania from February 2019 to October 2019.

Senior Manager, Franchise and License Development: Paula Greenwell

Ms. Greenwell has been our Senior Manager, Franchise and License Development since December 2024. From March 2023 to December 2024, she was self employed as a contractor for franchise and license administration in Louisville, Kentucky. Ms. Greenwell was a sales representative for Lee Building Products in Louisville, Kentucky from June 2022 to March 2023. She was Manager Franchise Sales for Doctor's Associates, Inc. in Louisville, Kentucky from January 2021 to May 2022. Ms. Greenwell was Senior Director, Franchise Administration for Papa John's International in Louisville, Kentucky from 1998 to July 2020.

Senior Director, Business Development: Tina Welch

Ms. Welch has been our Senior Director, Business Development since April 2022. Before that, she was Senior Manager, Franchise Sales for Doctor's Associates Inc. in Louisville, Kentucky from August 2020 to April 2022. Ms. Welch was our and MBC's Senior Director, Business Development from June 2014 to August 2020 (and for BEI from 2017).

Senior Director, Franchise and License Operations: Tina D'Ottavio

Ms. D'Ottavio has been our Senior Director, Franchise and License Operations since January 2008. Ms. Ottavio is also Senior Director, Franchise and License Operations for MBC and BEI.

Vice President, Controller: Tony Vincelli

Mr. Vincelli has been our Vice President and Controller since January 2024. Before that, he was Senior Finance Manager, Supply Chain Accounting for General Mills, Inc. in Minneapolis, Minnesota from March 2015 to January 2024.

Unless otherwise indicated above, the location of the employer is Denver, Colorado or Brooklyn Center, Minnesota. Also, unless otherwise explained, the individuals listed below also hold the same position and have the same responsibilities for us as they do for our parent, ENRG and for our affiliate (starting when ENRG acquired us in December 1998 and ENC in June 2001).

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Area Development Fee.

If you are going to be a Developer, then you will sign an Area Development Agreement and pay us a non-refundable area development fee in the amount of $10,000 for each Restaurant to be opened under the Area Development Agreement. The number of Restaurants that you will develop under the Area Development Agreement is determined by a mutual agreement between you and us (but a minimum of two), and will vary depending on a number of factors, such as: (1) the existing population and anticipated population growth within the Development Area; (2) competition within the Development Area; (3) the availability of acceptable locations within the Development Area; and (4) the number of Restaurants we estimate can be developed within the Development Area.

The area development fee will be due in a lump sum upon the signing of an Area Development Agreement. Payment of the area development fee will be in addition to the payment of initial franchise fees upon the execution of Franchise Agreements for the Restaurants developed under the Area Development Agreement and, as described below, we will credit you $10,000 from the area development fee toward the initial franchise fee required under the Franchise Agreement for each Restaurant that you timely open according to the Development Schedule (so long as you have met your obligations under the Area Development Agreement and any Franchise Agreements already in effect). The total of the credits available to be applied to your initial franchise fees will be the total that you have paid to us in area development fees.

The area development fee is calculated in a uniform manner, but may not be the same absolute number for all developers, because of differences in how many Restaurants a developer may agree to develop in a particular Development Area.

Under the Franchise Agreement.

As explained on the cover page of this franchise disclosure document, when you sign your Franchise Agreement (or shortly after then), you must pay us $40,200 to $50,200 before you open. That figure consists of: (1) the initial franchise fee; (2) the design review fee; (3) the initial training fee; and (4) optional product purchases, as explained below.

- Initial Franchise Fee

  The initial franchise fee under a Franchise Agreement is $25,000, and must be paid in full when the Franchise Agreement is signed. If there is a credit available from your area development fee (as described above), then that credit will be applied to reduce your payment. The initial franchise fee will be fully earned when paid, must be paid in one lump-sum amount, excluding any required deposits, and will not be refundable. In our past fiscal year, the initial fees collected from new franchisees were uniform.

- Design Review Fee

  Before we begin our review of your proposed drawings and plans for the Franchised Business, you must pay us a nonrefundable Design Review Fee in the amount of $2,000.

- Initial Training Fee

  Before you open the Restaurant, at least two individuals must attend and successfully complete, to our satisfaction, the initial training program as further described in Item 11 below. The cost of the initial training program is $1,600 for each individual to be trained. For two individuals, this is a cost of $3,200. You are not required to, but if you choose to send more individuals to the initial training program, you must pay a fee of $1,600 for each individual. These initial training fees are nonrefundable.

- Product Purchases

  In addition to the fees described above, you must also purchase certain items from us or our affiliates, directly or indirectly (for example, through distributors). These include equipment, your opening inventory of proprietary products and marketing materials. Your purchases of these items are nonrefundable and are likely to total approximately $10,000 to $20,000 (depending on the format and size of your Restaurant). There are additional items that you will have to buy as part of your initial outlays, as described in Item 7 below.

The range of initial franchise fees and pre-opening payments for a Restaurant are summarized in the following table:

	Initial Franchise Fee	**Design Review Fee**	**Pre-opening Payments**	**Total**
Full Producing Restaurant	$25,000	$2,000	$10,000 to $20,000	$37,000 to $47,000

Application of Payments

Proceeds from the initial franchise fees and development fees go into our general fund and, in part, compensate us for the lost or deferred opportunity to franchise others and, in part, is used to pay or defray some of the costs we may incur as a result of: (1) screening and approving prospective franchisees; (2) providing advice and assistance to franchisees; (3) incurring legal fees, accounting fees, and other costs to comply with the federal and state laws governing this offering; (4) developing, registering, and protecting the Proprietary Marks; (5) prior research and development relating to the System; (6) prior development of our training programs, new restaurant training, or on-going training; and (7) marketing and general administrative expenses.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Royalty	5% of Gross Sales	Each Month, on or before the fifth business day, calculated on the Gross Sales for the prior Month. (Note 2)	Gross Sales means all revenue related to the Restaurant (excluding customer refunds, discounts, and sales taxes collected and remitted to the proper authorities). (Note 2)
Marketing Contribution	Up to 5% of Gross Sales (currently 2.5% of Gross Sales) (Note 3)	Same as Royalty	See the description of "Gross Sales" above.
Grand Opening Marketing Program	$7,500	Within 1 month of the opening of your Restaurant.	Spent to promote the grand opening of your restaurant. You must submit a marketing plan for our approval. We may require you to deposit the funds with us to distribute as necessary to conduct the Grand Opening Marketing Program.
Transfer Fee	$12,500 or 50% of our then-current initial franchise fee, whichever is more (Note 4)	At time of transfer	Payable only if you make a transfer (as defined in the agreement), which includes the sale of your franchise, your company, or any party's interest in your company. There are some exceptions, as explained in Note 4.
Interest on Overdue Amounts	1.5% per month on the underpayment (Note 5)	Upon demand	Only due if you don't pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Costs and Attorneys' Fees	Will vary under circumstances	Upon demand	Only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the agreement.

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Supplier Testing	Will vary, but not more than $5,000 (Note 6)	Upon demand, if incurred	If you propose a new supplier of products, and we inspect the supplier or test the supplier's products, we may charge you or the supplier for our costs in conducting those inspections or running those tests.
Audit Costs	All costs and expenses associated with the audit, reasonable accounting and legal costs.	Upon demand	Payable only if we audit because you did not submit sales statements or keep books and records, or if you underreport your sales or underpay your royalties by 2% or more. (You will also have to pay interest on the underpayment (see "interest" above and Note 5))
Indemnity	Will vary under circumstances	As incurred	You must indemnify us, and reimburse us for our costs (including our attorneys' fees): (a) if we are sued or held liable in any case having anything to do with your business operations; (b) for any securities offering you propose or undertake; or (c) if we have to defend against a claim or pay damages because you made unauthorized or improper use of the Proprietary Marks.
Securities Offering Fee	$7,500 or our actual expenses, whichever is more	Upon demand	If you engage in a public or private securities offering, you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering and you also must indemnify us (see above).
Additional training (Note 7)	Our per–diem charges, plus our out–of–pocket costs	Upon demand	If you ask that we send trainers to your restaurant for additional training, and we do so, then you will have to pay our trainers' expenses and our then-current per diem charge for extra training. Our current per diem charge is $350 per trainer per day (we reserve the right to change our per diem rate in the future).

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Training Fee	$1,600 for each additional individual to be trained	Before training begins	The training fee is $1,600 for each individual to attend the initial training program. The training fee is also $1,600 for each Highly Trained Personnel you send to a replacement training session. You will be responsible for paying for all of your employees' costs and expenses.
Renewal Fee	50% of the then–current initial franchise fee, or $12,500, whichever is more	Before renewal	Due only if you decide to renew the franchise on the terms that are described in the agreement. The renewal fee is instead of a new initial franchise fee.
Systems Support Fee	$500-$1,100 per accounting period	Each accounting period	See Note 8
Software Maintenance Fee	See Note 9	On the anniversary date of the Software License Agreement	See Note 9
Quality Control Evaluation Program	The per-visit charge currently ranges from $30 plus expenses to approx. $50 plus expenses; the likely maximum per year is $800	Upon demand	Our current policy is not to ask you to pay more than $800 in any calendar year for quality control evaluation programs and reports combined. We reserve the right to change this policy.
Approved Software Fees	Will vary under circumstances	As incurred	We have the right to develop ourselves, have developed for us, or designate certain third party computer software programs and web-based programs and applications that you must use in connection with the operation of your Restaurant ("**Approved Software**"), and you may be required to pay initial and ongoing fees in order to install and continue to use the Approved Software.

(Please review the above table together with the notes that follow.)

Notes:

1. All fees are payable to us, uniformly applied to new system franchisees, and non-refundable. However, in some instances in which it was appropriate to do so, we have waived some or all of these fees for a particular franchisee.

2. You must pay your royalties and advertising fund contributions to us by the fifth business day of each Month. For this purpose, the term "**Month**" means a four- or five-week period (or calendar month) that we designate, but there will not be more than 13 "Months" in a given calendar year, or 26 "Months" over a two-year period. We have the right to require that you make these payments to us by EFT (electronic fund transfer), including ACH.

3. The Marketing Contribution will be paid to the Manhattan Bagel marketing fund (the "**Systemwide Marketing Fund**") or spent on local store marketing in the proportions we may periodically designate. We may require different kinds of marketing and promotional efforts depending upon where you will operate your Restaurant (for example, in a city, a suburban area, or in a resort community). Additional details about the applicable marketing and promotional requirements can be found in Item 11, under the subheading "Marketing."

4. We will not charge the full transfer fee in certain circumstances:

   a. If you and one or more affiliates are transferring more than one franchise agreement to the same buyer, as part of the same transaction, then our transfer fee for all of those transfers will be capped at $50,000 or our reasonable out-of-pocket costs, if they are higher.

   b. If the transferee is a spouse, son, or daughter of the transferor and the transfer is for estate-planning purposes, we will not require you to pay a transfer fee, but you will instead have to reimburse us for the out-of-pocket expenses (including attorneys' fees) that we incur in connection with reviewing and approving the transfer.

   c. If the transfer is upon the death or incapacity of the franchisee or its principal, then we will not require payment of a transfer fee, but the transferor must reimburse us for the out-of-pocket expenses (including attorneys' fees) that we incur in connection with reviewing and approving the transfer.

5. Interest starts to accrue when your payment was initially due. Interest rates will not exceed any maximum rate that may be imposed under applicable law.

6. We require you to use approved and qualified suppliers and vendors to maintain brand integrity and consistency. If you request to use a supplier that we have not previously approved, then we can charge you a fee to evaluate the new supplier. For proposed new suppliers of products and supplies for the Restaurant, our fee for this evaluation will vary depending on the product(s) and supply(ies) at issue. If you wish to use an architect, engineer, a general contractor, an exterior sign manufacturer, an equipment consolidator, source your own equipment that meets our specifications, and/or a millwork manufacturer that we have not previously qualified, we will charge you a fee to

for us to evaluate the proposed services from these vendors. Currently, that fee is in the amount of $2,000 for each proposed vendor.

7. This fee will be charged if, after we trained you and your original Restaurant Manager, you are unable to train replacement Restaurant Managers and other Restaurant personnel on your own. If that occurs, we will retrain you and train your new Restaurant Manager (or other Restaurant personnel), and you will have to pay us the fee indicated.

8. The cost per Restaurant per accounting period may fluctuate based upon the number of restaurants open and operating in the System, but we estimate that the system support fee will probably range between $500-$1,100 for an "accounting period" (see below). The systems support fee will cover certain of the cost of operating our software help/support desk (which presently operates 7 days a week, 16 hours a day), as well as our remote installation to your computer of software upgrades that are provided by the vendor (as long as your computer conforms to our standards and that you meet our communication requirements so that we can do these things). We may establish a Catering Program (defined in Item 12 below), and if we do so you must participate, and the systems support fees will include monthly fees of $37 for catering software, $11 for catering hosting, plus a $3.25 per transaction fee. To participate in the Catering Program, you must also implement certain credit card processing programs. An "accounting period" will be a four or five week period (or calendar month), as long as there are not more than 13 accounting periods in a given calendar year or 26 accounting periods over a two-year stretch.

9. As described in Item 11 below, you will have to purchase and use a POS system that meets our specifications. You may also enter into a software license agreement with us (the "**Software License Agreement**"). The current Software License Agreement is attached to this disclosure document as Exhibit C. If you enter into the Software License Agreement, the software licensed to you will be installed on the POS system prior to or at the same time the POS system is delivered to you. You are not required to pay us an initial fee under the Software License Agreement, but you are required to pay us an annual software maintenance fee beginning on the first anniversary. The fee will vary, but it is currently $345 each year and will not increase to more than $500 in any year of the Franchise Agreement.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is to be Made
Development Costs					
Construction/ Costs (Note 1)	$310,000	$500,000	Note 1	Note 1	Note 1
Computer Equipment & Electronics (Note 2)	$26,000	$54,000	As agreed	As incurred	Outside Suppliers

Type of Expenditure	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is to be Made
Furniture, Fixtures & Equipment (Note 3)	$125,000	$250,000	As agreed	As incurred	Outside Suppliers
Signage & Graphics (Note 4)	$10,000	$50,000	As agreed	As incurred	Outside Suppliers
Professional Fees (incl. architectural or engineering fees and permit and impact fees) (Note 5)	$28,000	$40,000	As agreed	As incurred	Outside Suppliers
Sub-Total Development Costs	**$499,000**	**$894,000**			

Pre-Opening Costs					
Type of Expenditure	**Amount Low**	**Amount High**	**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
Initial Franchise Fee (Note 6)	$25,000	$25,000	Note 6	Note 6	Us
Design Review Fee (Note 7)	$2,000	$2,000	Lump Sum	Before we review your proposed plans for the site	Us
Real Estate Leasing (Note 8)	$16,000	$50,000	As agreed	Note 7	Landlord
Opening Inventory, Smallwares and Supplies (Note 9)	$10,000	$20,000	As agreed	As incurred	Us, Our Affiliates or Outside Suppliers
Grand Opening Marketing Promotion (Note 10)	$7,500	$10,000	As agreed	As incurred, within 6 months of opening	Outside Suppliers
Insurance (Note 11)	$4,000	$7,500	As agreed	As incurred	Outside Provider
Training and Training Expenses (Note 12)	$1,000	$17,200	As agreed	As incurred	Outside Suppliers

Pre-Opening Costs					
Type of Expenditure	**Amount Low**	**Amount High**	**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
Legal & Accounting (Note 13)	$1,000	$3,000	As agreed	As incurred	Outside Suppliers
Business Licenses (Note 14)	$500	$5,000	As incurred	As incurred	Government Agencies
Security Deposits (Note 15)	$4,000	$10,000	As agreed	As incurred	Utility Companies
Additional Funds (Three Months) (Note 16)	$12,000	$50,000	As agreed	As incurred	Utilities, Wages, etc.
Sub-Total Pre-Opening Costs	**$83,000**	**$894,000**			
Total Estimated Initial Investment (Note 17)	**$582,000**	**$1,093,700**			

None of the fees or costs estimated in this Item 7 are refundable except to the extent that you can negotiate with vendors, and except as otherwise described in Note 1.

Please note that we do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.

(Please review the above table together the notes that follow.)

Notes to Item 7 Table:

1. CONSTRUCTION. You will need to construct improvements, or "build out," the premises at which you will operate the Restaurant. Generally, you will take the premises in a "warm vanilla box" condition (that is, a heated and air conditioned space with primed drywall ready to be painted, but without improvements). Among other things, you will need to arrange for proper wiring and plumbing, floor covering, wall covering, partitions, heat, air conditioning, lighting installation, storefront modifications, painting, cabinetry, bathroom facilities, etc. The HVAC system may not have been designed for a restaurant use, so it may have to be enhanced for your use. You will need to hire a qualified architect and qualified licensed builder. Costs are likely to vary and may be much higher if you wish to establish your Restaurant in an area where special requirements of any kind will apply (such as historical, architectural, or preservation requirements). Landlords sometimes provide tenant improvement allowances. Tenant improvement allowances are not included in the Item 7 chart because if they are offered, the terms vary widely. These estimates are for traditional locations, primarily in strip type shopping center end cap locations. If you develop non-traditional locations or free-standing buildings with extensive parking areas, a Drive-Thru window and landscaping, you may experience significantly increased construction costs. If you develop a Restaurant at a Non-Traditional

Facility or Captive Market Location, you may experience different construction costs that range outside the bottom and top ranges, depending on the site, landlord requirements, other related and unrelated construction done at the same time, and the size of the premises occupied. Some projects developed at municipal or government facilities (and elsewhere) may require compliance with labor standards that could increase your costs.

2. COMPUTER EQUIPMENT AND ELECTRONICS. The estimate is for the electronic equipment you will need to operate the Restaurant, such as a point-of-sale (POS) system, software, phone system and music system. An approved version of NCR Aloha and MenuLink back office software are the approved Point of Sale (POS) and back office system vendors for our Stores. The amount spent for equipment will vary for each Restaurant depending upon the Restaurant's size, style, whether the store has a Drive-Thru window, and the volume of products to be offered in the Restaurant.

3. FURNITURE, FIXTURES & EQUIPMENT. The estimate is for the furniture, fixtures and equipment you will need to operate the Restaurant such as baking equipment, proofers, refrigeration, freezers, sandwich lines, and lighting. You will need to obtain these items and other fixed assets from sources that we designate as qualified or designated vendors (where there are designated vendors). The amount spent for furniture, fixtures and equipment will vary for each Restaurant depending upon the Restaurant's size, style, and the volume of products to be offered in the Restaurant. You will pay suppliers directly for equipment and other fixed assets.

4. SIGNAGE & GRAPHICS. The cost of signage and graphics will vary from location to location depending on lease requirements, local ordinances and restrictions, store frontage, and related factors. In addition, other considerations – such as zoning ordinances, as well as historical and architectural design standards – may affect your costs (both in terms of materials as well as professional fees that you will incur to get approval of your proposed signs). You will need to obtain these items and other fixed assets from sources that we designate as qualified or designated vendors (where there are designated vendors). We will assist you in designing your signs, and the final proposed design must be submitted to us for our review and prior written approval. You will pay suppliers directly for these items. If you are developing a Restaurant at a Non-Traditional Facility or Captive Market Location, you may experience different signage costs, especially if you are not able, do not need, or are not permitted to install exterior signage.

5. PROFESSIONAL FEES. The estimate is for legal, accounting, administrative, permitting, traffic studies, demographic studies, brokerage and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors.

6. INITIAL FRANCHISE FEE. These amounts are discussed in detail in Item 5. The franchise fee must be paid when the Franchise Agreement is signed. Please see the information provided above in Item 5 regarding the Development Agreement. If you have signed a Development Agreement, and you are in compliance with your obligations under the Development Agreement and all of your Franchise Agreements, then we will apply a credit from your development fee toward the initial franchise fee. The amount of the credit will be $10,000 for each Restaurant, so long as the total amount of all credits that we extend to you does not exceed the amount that you paid us as a development fee under the Development Agreement. See Item 5 for more details.

7. DESIGN REVIEW FEE. You must pay us a design review fee if you select a previously unapproved architect or contractor to prepare drawings for the Restaurant.

8. REAL ESTATE LEASING. If you do not own a location for your Restaurant, you must purchase or lease a space. You will probably need to lease a space at least four months in advance; however, you may attempt to negotiate an abatement from the landlord. In general, we attempt to negotiate the payment of our leases to coincide with the start of operations so no material pre-opening occupancy expenses are incurred. However, in some cases it may be necessary to begin lease payments before opening in order to secure a particular location, or to accommodate the optimal timing of a new store opening. Restaurant locations and sizes vary. Locations for a Restaurant are those that are typically described as "prime retail."

Restaurant sizes vary from 1,600 to 2,000 square feet (1,600 square feet is optimal).

The figures in the estimate are calculated on the following assumptions: (a) you will have to pay six months' rent (made up of one month's rent before you open, three months' rent after you open, one month's rent as a security deposit, as well as payment of the last month's rent); (b) for space in the range of 1,600-2,000 sq. ft.; (c) at $20 to $55 per square foot per year. If the site you choose is larger, has a higher rental cost, or if you cannot negotiate a pre-opening abatement of rent down to one month, then your costs will be higher than those in the chart.

Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the Restaurant, the terms of the lease, and the desirability of the location. If you decide to purchase the property for the location of your Restaurant, you will incur additional costs that we cannot estimate.

9. OPENING INVENTORY, SMALLWARES & SUPPLIES. Items of inventory, smallwares, uniforms, and supplies which you are required to obtain from us or from our designated sources of supply are paid for at standard prices and terms. All items of inventory which you obtain from sources of your own choosing are paid for directly to the supplier of those inventory items at prices agreed upon by you and the supplier. Terms vary from vendor to vendor, but are more typically paid for on the first delivery before you establish credit, although either we or other vendors may require that payment be made on a C.O.D. basis. Start-up inventory of products, smallwares, uniforms, and supplies will vary based on expected volume of business and size of storage areas in the building. This estimate is for the initial inventory only.

10. GRAND OPENING MARKETING AND PROMOTION. We will assist you in tailoring a marketing plan appropriate to your market. The amount in the table is for the initial promotion and marketing efforts you are required to make under the Franchise Agreement. Additional details regarding advertising and promotion can be found in Item 11, under the subheading "Marketing."

11. INSURANCE. The estimate is for the annual premium for the policies required under the Franchise Agreement. Insurance costs will vary depending upon factors such as the size and location of the Restaurant. You must obtain general liability insurance and product liability insurance with minimum limits of $1 million per occurrence, as well as workers' compensation insurance as required by local and state laws, and an umbrella liability policy with minimum limits of $5 million per occurrence, which you will have to obtain through third parties, such as your own insurance agent. Your insurance obligations are more fully described in Item 8.

12. TRAINING, AND TRAVEL AND ACCOMMODATIONS FOR TRAINING. Before you open the Restaurant, at least two individuals must attend and successfully complete, to our satisfaction, the initial training program as further described in Item 11 below. The cost of the initial training program is $1,600 for each individual to be trained. If you choose to send more than two individuals to the initial training program, your costs will be higher than those in the chart. For the initial training period, the "low" estimate assumes that you are located within commuting distance of our training facilities and that you do not incur *per diem* expenses. The "high" estimate assumes travel, meals, auto, and lodging for two individuals, for three weeks in the training store and several days of classroom training at a location near the training store. The cost you incur will vary depending upon factors such as the distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, *per diem* expenses actually incurred, and the number of persons who will attend training. If you send more than two persons to attend training, we estimate that the additional cost, on a per person basis, will range from $400 to $3,000 per person.

13. LEGAL AND ACCOUNTING. The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors.

14. BUSINESS LICENSES. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. These fees are paid to governmental authorities before starting business.

15. SECURITY DEPOSITS. The figure is the estimated cost of telephone and utility deposits.

16. ADDITIONAL FUNDS. You will need additional capital to support on–going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. We estimate that the amount given will be sufficient to cover on–going expenses for the start–up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start–up phase or after.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period. You will need to have staff on–hand before opening to prepare the Restaurant for opening, for training, orientation, and related purposes. We estimate that you will need approximately 500 hours of staff time, at $7.25 per hour (or more, if the minimum wage is higher in your state), to get ready for your opening.

The figures in the chart and the explanatory notes are only estimates.

You should review these figures carefully on your own, with a business advisor of your choosing, before making any decision to purchase the franchise.

17. TOTAL. We relied on our own experience when preparing these figures. We cannot predict (and encourage you to consider) the implications of public policy on inflation,

tariff rates, impact of climate change, and commodity and other cost fluctuation due to immigration restrictions.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To insure that the highest degree of quality and service is maintained, you must operate the Restaurant in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Manual or otherwise in writing.

At all times during the term of the Franchise Agreement, you must:

- offer for sale only those Products for which we have given our written approval;
- sell or offer for sale all of the Products that we require;
- use the ingredients and employ only the preparation standards and techniques that we specify;
- not deviate from our standards and specifications, including our requirements concerning Product preparation, unless you have received our prior written consent; and
- stop selling and offering for sale any Products that we have later disapproved.

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must buy all Proprietary Items, Products, ingredients, supplies, materials, and other products used or offered for sale at the Restaurant only from suppliers (including manufacturers, distributors, and other sources) that we have approved in writing. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors: whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications; whether the supplier has adequate quality controls and capacity to supply the System's needs promptly and reliably; and whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies. You may not buy from any supplier that we have not yet approved in writing, and you must stop buying from any supplier who we approve, but later disapprove. As explained above, we have the right to designate only one supplier for certain items (such as distribution of products, soft drinks, etc.) in order to take advantage of marketplace efficiencies. We and our affiliates are not currently suppliers of any Products or other items other than the Proprietary Items described below.

If you want to buy any Products or any other items (except for Proprietary Items, which are discussed below) from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier

be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. We reserve the right, at our option, to periodically re–inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then–current criteria.

Although the Franchise Agreement does not obligate us to notify you of our approval or disapproval of a supplier within a specified time, we estimate that we will usually notify you of approval or disapproval within 30 days of our receipt of your written request. This is only an estimate, and the actual approval time may be shorter or longer than 30 days.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval.

We may periodically establish food commissaries and distribution facilities, and we may designate these as approved (or required) manufacturers, suppliers, or distributors.

We estimate that your purchases from approved suppliers and according to our specifications will represent approximately 100% of your total purchases in establishing the Restaurant, and approximately 100% in the continuing operation of the Restaurant. We also estimate that your purchases from designated suppliers will represent approximately 100% of your total purchases in establishing the Restaurant, and approximately 100% of your total purchases in the continuing operation of the Restaurant. This estimate does not account for service purchases, such as insurance, pest control, bulk CO_2, payroll services, trash removal, and landscaping.

You must allow us or our agents, at any reasonable time, to remove samples of Products offered in your Restaurant, without payment, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether those samples meet our then–current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Restaurant fails to conform to our specifications.

We also may designate an independent evaluation service to conduct a quality control and evaluation program for Restaurants that we, our affiliates, or franchisees own. You must participate in any quality control program we may require. We will have the right to require you to pay the then–current charges imposed by the evaluation service for Restaurant inspections, and you must promptly pay these charges. (See Item 6 for more details.)

You will not be permitted to offer or sell, or allow anyone else to offer or sell, beer, wine, or any form of liquor, unless we have given you our advance written approval (which we will have the right to withhold).

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Restaurants in our system. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all Products

and other products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that refusal to approve would be in the best interests of the System or the franchised network of Restaurants.

We may on some occasions pay vendors directly on your behalf for items you purchase because the vendor prefers payment in that manner; if so, we will advance the funds and charge you on a pass-through basis.

We reserve the right to collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, "**Allowances**") offered to us or to our affiliates by manufacturers, suppliers and distributors based upon your purchases of Products and other goods and services. During our last fiscal year ended December 31,2024, we did not retain any allowances.

Currently, there are no purchasing or distribution cooperatives in existence.

None of our officers owns an interest in any companies that are vendors or suppliers to the Manhattan Bagel Restaurant franchises.

Proprietary Items

You must buy all of your requirements for bagels, baked and sweet snacks, cookies, cream cheese, cream cheese spreads, coffee, coffee beans, and paper and plastic goods bearing the Proprietary Marks ("**Proprietary Items**") only from us, our affiliate, our parent company, or from our designee(s), as described below. We will have the right to periodically introduce additional Proprietary Items. Proprietary Items are considered integral components of the Manhattan Bagel franchise and are inextricably interrelated with the Proprietary Marks and the System.

The Proprietary Items that are offered and sold in Restaurants are manufactured according to the secret blends, standards, and specifications that we or our affiliates own. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Items sold at all Restaurants in the System, you must purchase Proprietary Items only from us, our affiliate, our parent company, or our designees, and you may not offer or sell any Proprietary Item that has not been purchased from us, our affiliate, our parent company, or our designated supplier at or from the Restaurant. We estimate that your purchases of Proprietary Items will represent approximately 1.0% percent of your total purchases in establishing the Restaurant, and approximately 25% of your total purchases in the continuing operation of the Restaurant (on an average weekly basis). The prices charged for Proprietary Items may vary by geographic area.

During our fiscal year ended December 31, 2024, our affiliate ENRG's revenue from the sale of Proprietary Items to our Manhattan Bagel Company franchisees was $338,000, or less than one percent of ENRG's total revenues of $673 million.

Except as described in this Item 8, we do not provide any material benefits to you based on your use of designated or approved suppliers.

Computer System

You must buy (or lease) and maintain a computer system. More detailed information concerning the computer system can be found in Item 11 of this disclosure document under the

heading “Electronic Point–Of–Sale and Computer Systems.” In general terms, you will be required to obtain a computer system that will consist of certain hardware and software items and peripheral devices (such as printers). Among other things, you will be required to meet our requirements concerning: (a) back office and point of sale systems; (b) security systems; (c) printers and other peripheral devices; (d) archive and back-up systems; and (e) internet access mode (for example, broadband) and speed.

Insurance

Under the Franchise Agreement, you must obtain and maintain the following insurance:

- comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, liquor liability, and personal and advertising injury, with a combined bodily injury and property damage limit of at least $2,000,000 in the aggregate and $1,000,000 per occurrence;

- statutory workers' compensation insurance and employers’ liability insurance as required by the law of the state in which the Restaurant is located, including statutory workers’ compensation limits and employers’ liability limits of at least $1,000,000;

- commercial umbrella liability insurance with total liability limit of at least $5,000,000;

- Food Borne Illness, Accidental & Malicious Contamination coverage, with minimum coverage of at least $1,000,000;

- Property insurance providing coverage for direct physical loss or damage to real and personal property for all-risk perils, including the perils of flood and earthquake that values property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance shall not be less than 90% of the full replacement value of the Franchised Business, its furniture, fixtures, equipment, and stock (real and personal property);

- Business interruption insurance to cover at least your obligations with respect to leases, royalties, marketing fund obligations, fixed costs, and other recurring expenses for a period of not less than six months following an interruption to the Franchised Business’ operation;

- Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than $1,000 and naming us as loss payee;

- Automobile liability insurance, including coverage of vehicles not owned by you, but used by employees in connection with the Franchised Business, with a combination of primary and excess limits of at least $1,000,000;

- Commercial blanket bond in the amount of at least $100,000;

- Any other insurance coverage that is required by federal, state, or municipal law; and

- All other insurance that we require in the Manual or that is required by the lease or sublease for the Restaurant.

Each insurance policy required under the Franchise Agreement must be issued by an issuer we approve, who must have a rating of at least "A -" in the most recent *Key Rating Guide* published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Restaurant is located. All liability and property damage policies must name us as additional insured and must provide that each policy cannot be cancelled unless we are given thirty days' prior written notice. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	§ 1 in Franchise Agreement; §§ 5.1.1 and 5.1.2 in Area Development Agreement	8 and 11
b.	Pre–opening purchases/leases	§ 5 in Franchise Agreement; not applicable in Area Development Agreement	5, 7, and 8
c.	Site development and other pre–opening requirements	§§ 3.2, 3.3, 5, and 13.8 in Franchise Agreement; §§ 3, 5.1.2, and Ex. A in Area Development Agreement	8 and 11
d.	Initial and ongoing training	§§ 3.1, 6 and 16.5.7 in Franchise Agreement; not applicable in Area Development Agreement	11
e.	Opening	§§ 5.1 and 5.8 in Franchise Agreement; not applicable in Area Development Agreement	11
f.	Fees	§§ 2.2.6, 4, 13.1, and 16.5.9 in Franchise Agreement; §§ 2 and 3.1.1 in Area Development Agreement	5 and 6
g.	Compliance with standards and policies/Operating Manual	§§ 1.4, 3.4, 5, 8, and 10 in Franchise Agreement; § 6.3 in Area Development Agreement	8, 11, and 14
h.	Trademarks and proprietary information	§§ 1.1 and 9 in Franchise Agreement; § 1.6 in Area Development Agreement	13 and 14

Obligation		Section in Agreement	Disclosure Document Item
l.	Restrictions on products/services offered	§§ 1.4, 7.1, 7.2 and 8.8 in Franchise Agreement; not applicable in Area Development Agreement	5, 8, and 16
j.	Warranty and customer service requirements	§ 8.7 in Franchise Agreement; not applicable in Area Development Agreement	16
k.	Territorial development	§ 1.3, 1.4, and 1.6 in Franchise Agreement; § 1.1 in Area Development Agreement	12
l.	Ongoing product/service purchases	§ 7 in Franchise Agreement; not applicable in Area Development Agreement	8
m.	Maintenance, appearance and remodeling requirements	§§ 2.2.2, 5, 8.6 and 16.5.5 in Franchise Agreement; not applicable in Area Development Agreement	8
n.	Insurance	§ 15 in Franchise Agreement; not applicable in Area Development Agreement	7 and 8
o.	Advertising	§§ 8 and 13 in Franchise Agreement; not applicable in Area Development Agreement	6, 8, and 11
p.	Indemnification	§ 21.4 and Ex. A in Franchise Agreement; § 11 in Area Development Agreement	Not applicable
q.	Owner's participation/ management/staffing	§§ 8.7, 8.10, and 19.1 in Franchise Agreement; § 5.2.5 in Area Development Agreement	15
r.	Records/reports	§§ 4.2 and 12 in Franchise Agreement; § 3.2 in Area Development Agreement	6
s.	Inspection/audits	§§ 3.8, 7.1.3, 8.11, and 12 in Franchise Agreement; not applicable in Area Development Agreement	6 and 11
t.	Transfer	§§ 8.10 and 16 in Franchise Agreement; § 7 in Area Development Agreement	17
u.	Renewal	§ 2.2 in Franchise Agreement; not applicable in Area Development Agreement	17
v.	Post–termination obligations	§ 18 in Franchise Agreement; § 6.4 in Area Development Agreement	17

Obligation	Section in Agreement	Disclosure Document Item
w. Non–competition covenants	§ 19 in Franchise Agreement; § 8 in Area Development Agreement	17
x. Dispute resolution	§ 27 in Franchise Agreement; § 15.2 in Area Development Agreement	17
y. Taxes/permits	§§ 5.4.2 and 20 in Franchise Agreement; § 10 in Area Development Agreement	1
z. Other (Personal Guarantee)	Exhibit A to the Franchise Agreement; Exhibit B to the Area Development Agreement	15

ITEM 10
FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or has any practice or intent to sell, assign or discount to a third party all or part of any financing arrangement of yours.

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

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

Pre–opening Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you.

Franchise Agreement. Before you open your Restaurant:

(1) Before your Restaurant opens, we will provide to you (or to your Operating Partner (defined below)), as well as the Restaurant's Highly Trained Personnel (defined below), our standard initial training program at a location that we designate. We will make this training available for up to four individuals, at your expense. You may send more, but at your own expense. Periodically we will provide ongoing training. (Training is also discussed below in this Item 11 under the subheading "Training.") (Franchise Agreement, Sections 3.1, 6)

(2) We will provide, at no charge to you, prototype plans and specifications for the construction of the Restaurant and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You will be responsible for hiring your own architect to adapt the plans to your site, with our approval, and for hiring a contractor to build the Restaurant according to those approved plans. You are also responsible for compliance with all local and other requirements for the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Section 3.2)

(3) We have the right to inspect and approve the Restaurant for opening before the initial opening. You may not start operation of your Restaurant until receiving our approval to do so. (Franchise Agreement, Section 3.10)

(4) One or more members of our franchise operations and/or training staff will assist you in the Restaurant's staff training process. Our representatives will conduct the staff training program in coordination with the Restaurant's management team. You may not conduct the initial opening unless our representative is present. (Franchise Agreement, Section 3.3)

(5) We will provide you with access, during the term of the Franchise Agreement, to our Manual (which is more fully described in Item 14 below). (Franchise Agreement, Section 3.4)

(6) We will assist you in developing the Grand Opening Advertising Program; you will be responsible for the cost of this program. (Franchise Agreement, Section 3.7)

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Restaurant.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Restaurant:

(1) We may conduct additional training programs if we think your Restaurant will benefit from that. (Franchise Agreement, Section 5.5)

(2) We will give you periodic and continuing advisory assistance as to the operation and promotion of the Restaurant, as we deem advisable. (Franchise Agreement, Section 3.11)

(3) We will administer the Systemwide Marketing Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 3.6)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Restaurant.

Site Selection

There are no site selection requirements under a Franchise Agreement because the Franchise Agreement will be signed only after you have found a location for the Restaurant. We will approve a proposed location only if it meets our standards and is otherwise acceptable to us. However, you will be solely responsible for the choice of a location, and the fact that we approve a location will not mean that we have made any direct or implied promise or guarantee of your success at the location.

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately three to eight months. The following factors may affect the length of time between signing the Franchise Agreement and opening the Restaurant: financing; building permits; weather conditions; local ordinances; shell construction delays; and construction build-out delays. You must open the Restaurant within six months after securing the necessary authorization and approval for permits and certificates.

Under an Area Development Agreement, we must approve the locations for each of the Restaurants to be developed, and our then-current standards for sites will apply. The factors we will evaluate in considering whether to approve a site include: general location and neighborhood; pedestrian traffic volume and patterns; demographics, including daytime

population; psychographics; automobile traffic patterns, volume, and speed; size and ease of access to the proposed site; location of the site in relation to other complimentary retail businesses; availability of utilities; the proposed lease or sublease; ingress and egress; utilities; and zoning issues.

Training

If you are a corporation, partnership, limited liability company, or limited liability partnership, you must designate one of your principals with an ownership interest and who we have previously approved to supervise the operation of the Restaurant as an "**Operating Partner**". Before you open the Restaurant, one full-time general manager (the "**Franchised Business Manager**"), and one assistant general manager must attend and successfully complete, to our satisfaction, the initial training program we offer. You (or, if you are an entity, your controlling principal who is also designated to serve as your general manager who we have previously approved to serve in that role (the "**Operating Partner**") may also attend the initial training program. In any case, at least two individuals must attend and successfully complete, to our satisfaction, the initial training program. The Restaurant must at all times be under the active full-time management of either you (or if you are an entity, then your Operating Partner) or a Franchised Business Manager who has successfully completed the initial training program to our satisfaction. The Franchised Business Manager must have at least three years of experience working in a management capacity in a quick service restaurant or fast casual restaurant, and the Franchised Business Manager may serve as the Operating Partner regardless of the equity interest the Franchised Business Manager holds in the franchisee entity.

In addition to attending our initial training program, the Operating Partner and the Franchised Business Manager must obtain such food service safety certifications, such as "ServSafe," that we periodically designate. You are required to pay all costs and expenses incurred in connection with obtaining any required third party food safety certifications. All training and certification requirements must be met before your Restaurant opens.

If any of you (or the Operating Partner) or the Franchised Business Manager (collectively, the "**Highly Trained Personnel**") cease active management or employment at the Restaurant, then you must train a qualified replacement (who must be reasonably acceptable to us) not more than 30 days after the end of the former person's full-time employment or management responsibilities. The replacement must successfully complete the initial training program, to our reasonable satisfaction, as soon as it is practical to do so.

We may require that any or all of the Highly Trained Personnel attend refresher courses, seminars, and other training programs periodically. We will bear the cost of the training materials for such courses, seminars and programs, but you will bear all expenses the Highly Trained Personnel incur in attending (transportation, lodging, meals, wages, and worker's compensation insurance).

You will bear the cost of all initial training (instruction and required materials) at our current charge of $1,600 for each individual to be trained. You will bear all expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this disclosure document).

If you ask that we provide additional on–site training, and we are able to do so, then you will pay us our then–current per diem charges and out–of–pocket expenses. Our per diem charges will be specified in our Manual.

Additional training materials will be provided to you periodically by electronic means, and you will bear the cost of printing and lamination. We anticipate issuing new training materials at various times, such as when we launch new products, develop or introduce new menus, and when we introduce limited-time offerings.

The subjects covered in the initial training program are described below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation	0	5	A designated training Store or other location we select
Sandwich/Grill Position Training	0	40	"
Baker Position Training	0	40	"
Front/Specialty Beverages Position Training	0	8	"
Cashier Position Training	0	20	"
Prep Position Training	0	8	"
Shift/Open/ Close Management	2	40	"
Ordering/ Receiving/Pars	0	14	"
Inventory	0	10	"
Cash Management	0	4	"
Scheduling	0	10	"
Sales & Profit	2	ongoing	"
P & L Reconciliation	3	4	"
Equipment	0	3	"
Food Safety/Sanitation	2	4	"
Marketing /Merchandising	2	4	"
Risk Management	2	0	"
Guest Experience	2	3	"
Catering	0	2	"
Employee Development/Training/Human Resources	2	3	"
Quality of Operations Inspection	2	4	"
Research and Development	2	0	"
Security & Risk Management	1	0	"
Legal	2	0	"

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Totals	**24**	**226**	

Training will be conducted over an approximately four week period at a designated training restaurant and in a nearby classroom setting of our choosing (and then one week at your Restaurant) before you open. Training is conducted as frequently as we determine it necessary to hold a training class.

Tina D'Ottavio, our Senior Director of License Operations, currently supervises the initial training programs. Mrs. D'Ottavio has been with us since January 2008, and has more than 30 years of experience with the subjects taught.

Our instructional materials for our training program include the manuals.

Marketing

For each Month during the term of the Franchise Agreement, you will be required to make a Marketing Contribution. The Marketing Contribution will be in an amount not to exceed 5% (currently 2.5%) of the Gross Sales of your Restaurant during the preceding month. We will require you to pay your Marketing Contribution by ACH.

The Marketing Contribution will be allocated between the Manhattan Bagel Systemwide Marketing Fund, any Market Co-op Fund (defined below) or spent on local store marketing in the proportions that we will periodically designate. We reserve the right to collect and hold local store marketing funds, and seek your guidance on how those funds are to be spent; however, if you do not provide timely guidance, we have the right to direct the expenditure of local store marketing funds. There are different marketing needs in different types of markets. For example, Restaurants that operate in resort or vacation areas may need a different kind and volume of marketing than do Restaurants that operate in suburban areas or in cities.

Although this is likely to change, our current allocation of the Marketing Contribution is as follows:

This amount	Into this fund:
63% of the Marketing Contribution (that is, 1.575% of your Gross Sales)	Systemwide Marketing Fund
37% of the Marketing Contribution (that is, 0.925% of your Gross Sales)	Local store marketing

Our current policy is that company-owned Restaurants do not contribute to the Systemwide Marketing Fund. However, certain company-owned Restaurants situated in the same markets as franchised restaurants may contribute to the Systemwide Marketing Fund. Those certain company-owned Restaurants would likely contribute to that portion of the Systemwide Marketing Fund, if any, designated for that particular market on an equal basis. If we elect to have any of our Restaurants contribute to the Systemwide Marketing Fund, we will have the same rights for our contributing Restaurants as our franchisees have for their Restaurants. We reserve the right to change our policy at any time.

None of the amounts collected or held by the Systemwide Marketing Fund will be used for marketing that is principally a solicitation for the sale of franchises. We may receive payment for providing goods and services to the Systemwide Marketing Fund, such as personnel, staff, office space, supplies, and other general and administrative costs that we incur on the Systemwide Marketing Fund's behalf. A statement of the Systemwide Marketing Fund's operations, as shown on our books, will be prepared annually, and that statement will be made available to you upon request. We have not formed a marketing council or other advisory body composed of franchisees to assist us on marketing policies, but we reserve the right to do so in the future. As described below, we are not required to spend any particular amount on marketing in the area where your Restaurant is located. As also described below, if amounts are unspent in the Systemwide Marketing Fund at fiscal year-end, those amounts will be carried over by the Fund for expenditure in the following year(s).

During our last fiscal year ended December 31, 2024, the Systemwide Marketing Fund expenditures were made as follows (all figures approximate):

83% Production of Advertisements and P.O.P. Materials
17% General and Administrative Expenses

The Systemwide Marketing Fund

We have established the Systemwide Marketing Fund for the System. The Systemwide Marketing Fund, all contributions to and earnings from the Systemwide Marketing Fund, will be used only (except as otherwise provided below) to meet the franchise system's pro rata portion of any and all costs of maintaining, administering, directing, creating, conducting, and preparing marketing, marketing, public relations and promotional programs and materials, engaging media placement agencies, and conducting any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and conducting media marketing campaigns; direct mail marketing; marketing research; public relations activities; developing and maintaining our Website (except for the portion, if any, specifically for soliciting franchisees); employing marketing or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Restaurants operated under the System. We may also use the Systemwide Marketing Fund to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, that we have approved in advance (we will have the right to determine which expenditures will appropriately promote general public awareness and favorable support for the System). We will have the sole right to decide how the Systemwide Marketing Fund creates, places, and pays for marketing. We (or our designee, which might be a corporate subsidiary or an advertising agency) will maintain and administer the Systemwide Marketing Fund, as follows:

(a) We (or our designee) will direct all marketing programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The source(s) for marketing materials used by the Systemwide Marketing Fund will be both in-house and regional or national advertising agencies. The Systemwide Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Systemwide Marketing Fund.

(b) The Systemwide Marketing Fund, and all contributions to and earnings from the Systemwide Marketing Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System.

(c) You must contribute to the Systemwide Marketing Fund by EFT (electronic fund transfer) by the fifth business day of each Month. All sums you pay to the Systemwide Marketing Fund will be maintained in an account separate from our other monies.

(d) We will have the right to charge the Systemwide Marketing Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Systemwide Marketing Fund and marketing programs for you and the System (for example, costs of personnel for creating and implementing, associated overhead, marketing, merchandising, promotional and marketing programs). The Systemwide Marketing Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Systemwide Marketing Fund. We do not currently prepare an annual audited financial statement for the Systemwide Marketing Fund, but we may do so in the future. Upon request, we will provide you with an accounting of the Systemwide Marketing Fund.

(e) The Systemwide Marketing Fund is not and will not be our asset.

(f) Although the Systemwide Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Systemwide Marketing Fund. The Systemwide Marketing Fund will not be terminated, however, until all monies in the Systemwide Marketing Fund have been spent for marketing or promotional purposes, or until there are no longer any franchisees in the System.

Market Co-op Fund

We will have the right, as we see fit, to establish a Market Co-op Fund for your region. The purpose of a Market Co-op Fund is to conduct advertising campaigns for the Restaurants located in that region.

You will not be required to contribute to more than one Market Co-op Fund. The following provisions will apply to each Market Co-op Fund (if and when organized):

(a) Market Co-op Funds will be established in the form and manner that we have approved in advance.

(b) Market Co-op Funds will be for the exclusive purpose of executing regional and market-wide advertising programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Market Co-op Funds may not use advertising, promotional plans, or materials without our prior written approval, as described below.

(d) You must make any required contributions to a Market Co-op Fund according to the allocation of the Marketing Contribution, as described above.

(e) Although each Market Co-op Fund is intended to be of perpetual duration, we maintain the right to terminate any Market Co-op Fund. A Market Co-op Fund will not be terminated, however, until all monies in that MAF have been expended for advertising or promotional purposes. If all Restaurants contributing to a Market Co-op Fund are closed, any balance remaining in that Market Co-op Fund will be transferred to the Systemwide Marketing Fund.

(f) We have the right to change or merge any Market Co-op Funds.

Local store marketing

Certain criteria will apply to any local store marketing that you conduct. All of your local store marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials (unless, within the previous six months, we prepared or already approved the plans or materials). We will ordinarily provide you with our response (whether approval or disapproval) to the proposed plans or materials within two months; but if we do not give our approval within fourteen days, we will have been deemed to disapprove the plans or materials.

All copyrights in and to marketing and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Market Co-op Funds.)

As discussed in Items 6 and 7, in addition to (and not in place of) the Marketing Contribution, you must spend at least $7,500 on local store marketing conducted for the Restaurant's grand opening advertising program (the "**Grand Opening Marketing Program**"), according to our specifications for that program. You must complete the Grand Opening Marketing Program no later than 60 days after the Restaurant first opens for business. All materials used in the Grand Opening Marketing Program will be subject to our prior written approval, as described above. The Grand Opening Marketing Program is considered "local store marketing" and is therefore subject to the restrictions described below. We will work with you to tailor your Grand Opening Marketing Program to your market. We reserve the right to require you to deposit with us the funds for the Grand Opening Marketing Program so that we may distribute the funds for the Grand Opening Marketing Program, and if so, and funds not spent within six months after your Restaurant opening will be deposited in the Systemwide Marketing Fund.

In addition to the plans and promotions that we otherwise provide to you under the Franchise Agreement, we will periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in local store marketing.

As used in the Franchise Agreement, the term "**local store marketing**" refers to only the direct costs of purchasing and producing advertising materials (such as camera–ready advertising and point of sale materials), media (space or time), promotion, and your direct out–of–pocket expenses related to costs of advertising and sales promotion in your local market or area. Local

store marketing also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. "Marketing and sales promotion" does not, however, include any of the following:

(a) Salaries, incentives or discounts offered to your employees, and your employees expenses;

(b) Charitable, political, or other contributions or donations;

(c) The value of discounts given to consumers; and

(d) The cost of food items or promotional merchandise (for example, mugs).

Online Sites (as defined below) are considered as "marketing" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, for example, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g. Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, etc.), blogs, vlogs, applications to be installed on mobile devices (e.g., iOs or Android apps), and other applications, etc., and that refers to the Restaurant, Proprietary Marks, us, or the System. In connection with any Online Site, the Franchise Agreement provides that you may not establish an Online Site, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Mark, through the Internet without our prior written approval. As a condition to granting our consent, we will have the right to establish any requirement that we deem appropriate, including for example a requirement that your only presence on the Internet will be through one or more webpages that we establish on our website.

Electronic Point–Of–Sale and Computer Systems

We may require our franchisees to buy an approved computer hardware and software point of sale (POS) system. The approved system must be maintained according to our hardware and software standards. The computer system will also be required to use our approved interface (high speed telecommunication connection) to communicate electronically with our own system. Licensees that operate Restaurants in Non-Traditional Facilities and Captive Market Locations are not required to purchase our POS or software, but are expected to have a computerized POS system.

The costs associated with the purchases of software and computer systems may vary from vendor to vendor, especially regarding hardware items, software, and services which are widely available from a variety of vendors. We currently estimate the cost of purchasing the required computer hardware and software to range from $18,000 to $28,000.

We have the right to specify the brands, types, makes, and models of your computer system. You will have to abide by our requirements concerning the computer system, including: (a) back office and point of sale systems; (b) systems to store data, including audio and video, as well as systems to retrieve and transmit that data between your franchised business and us; (b) security systems (physical, electronic, and other); (c) printers and other peripheral devices; (d) archive (back-up) systems; and (e) internet access mode (for example, your telecommunications connection, such as broadband) and speed.

You may enter into the Software License Agreement in order to use the software that, among other things, will run the POS system and facilitate the transmission of information from the POS system to us. The Software License Agreement is attached to this disclosure document as Exhibit C.

We reserve the right to have independent access to your computer for the purpose of downloading sales and other data. There is no contractual limitation on our right to receive this information. We reserve the right to require you to bring any computer hardware and software, related peripheral equipment, communications systems, as well as the POS and back office computer system, into conformity with our then–current standards for new Restaurants. Except as described above regarding the acquisition and maintenance of the POS system for the Restaurant, we have no obligation to assist you in obtaining hardware, software or related services and there are no contractual limits on the frequency or cost of your obligations to obtain computer upgrades. (See Sections 2.2.2, 8.6 and 14 of the Franchise Agreement.) We currently estimate the annual cost of maintaining, updating, upgrading your computer system, and obtaining support, to range from $4,800 to $7,200 per year.

Manual

The table of contents of the Manual is attached as Exhibit I. There are 343 pages in our Manual.

ITEM 12
TERRITORY

Franchise Agreement

During the term of the Franchise Agreement, so long as you remain in compliance with the terms of the Franchise Agreement, we will not establish or license anyone else to establish, another Manhattan Bagel Restaurant at any location within the "Protected Territory" that is designated in your Franchise Agreement. The Protected Territory will typically be a circle, the center of which will be the front door of the Restaurant, and that circle will have a radius that is specified in your Franchise Agreement (but which will be a minimum of two miles, except in dense urban centers, where it could be less). We (and our affiliates) retain all other rights. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- establish, and license others to establish, Restaurants at any location outside the Protected Territory despite their proximity to the Protected Territory or the Approved Location or its actual or threatened impact on sales at your Restaurant;

- establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as those terms are defined below) within or outside the Protected Territory, despite these Restaurants' proximity to the Approved Location or their actual or threatened impact on sales at your Restaurant;

- establish, and license others to establish, restaurants under other systems or other proprietary marks, which restaurants may offer or sell products that are similar to, or different from the Products offered from the Restaurant, and which restaurants may be located within or outside the Protected Territory, despite

these restaurants' proximity to the Approved Location or their actual or threatened impact on sales at your Restaurant;

- acquire and operate any business or store of any kind, whether located within or outside the Protected Territory despite these business' or restaurants' proximity to the Approved Location or its actual or threatened impact on sales at your Restaurant; and

- sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any Products, from any location or to any purchaser (including, among other methods, to sales made at retail locations), as long as these sales are not conducted from a Restaurant operated from a location inside the Protected Territory (excluding Non-Traditional Facilities or Captive Market Locations).

The term "**Captive Market Location**" includes, among other things, non-foodservice businesses of any sort within which a Restaurant or an "Manhattan Bagel" branded facility is established and operated (including, for example, hotels and resorts), as well as branded locations that serve only our brand of coffee.

The term "**Non-Traditional Facility**" includes, among other things, college campuses, schools, hotels, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

Your territorial rights under the Franchise Agreement include all of the rights described above relating to the Protected Territory.

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

You may offer and sell Products only from the Restaurant, only according to the requirements of the Franchise Agreement and the Manual, and only to: (a) retail customers for consumption on the Restaurant's premises or for personal, carry-out consumption; (b) delivery customers (for example, catering); and (c) wholesale customers within the Protected Territory only. Without our prior written consent, you may not solicit customers or provide services outside the Protected Territory, and you will not have any right to use other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing to make sales outside the Protected Territory. You will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights under the Franchise Agreement. Continuation of your rights regarding the Protected Territory are not contingent upon your having met any particular sales volume, market penetration, or any other contingency, and we don't have any right to alter the Protected Territory provided under your Franchise Agreement.

If you need to relocate your Restaurant, we will evaluate your request to do so under the same conditions we apply to evaluating a proposed location for a new Restaurant.

We have the right to approve or disapprove any activity(ies) proposed to take place outside the Restaurant, including delivery and catering activities. We will consider various factors in

determining whether to permit you to provide delivery or catering services from the Franchised Business, including the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

- You may not to engage in delivery and/or catering services, whether inside or outside of the Protected Territory, without our prior written consent.

- All delivery or catering activities that you undertake must be conducted according to the procedures we specify.

- We may (but are not required to) establish a catering program that will include online and telephone ordering features, on our own or in conjunction with one or more outside vendors (the "**Catering Program**"). If we establish a Catering Program, you must participate and pay the fees and costs associated with doing so.

The term "**wholesale customers**" means customers that: (a) purchase products totaling $1,000 or more a month from you; (b) are not in the business of selling bagels; and (c) do not, in turn, use any of our Proprietary Marks for serving or reselling Products that they buy from you. If you make a written request to us asking that we waive some or all of the conditions in the preceding sentence for one or more proposed wholesale customers, we will have the right to grant or withhold consent, in writing, to that waiver.

As noted in Item 1, we operate restaurants under the "Noah's New York Bagels" marks, and our affiliate ENC owns and operates, as well as franchises, restaurants under the "Einstein Bros." marks, which offer bagels, sandwiches and other products similar to those offered in our "Manhattan Bagel" restaurants. ENC operates from our corporate offices and does not maintain separate offices or training facilities. Despite anything else in the Franchise Agreement and the Development Agreement, you will have no rights regarding any other business that we (or our affiliates) operate, including for example, operations under the *Noah's New York Bagels,* and *Einstein Bros.* brands, or any brands that JAB's affiliates operate, such as "Caribou Coffee", "Peet's Coffee", "Café do Ponto", "Casa Pilao", "Baresso", "Krispy Kreme", "Panera Bread", "Pret A Manger", and "Bruegger's Bagels" (the "**Other Brands**"). We (and our affiliates) will have the right to operate and license others to operate businesses under the Other Brands at any location whatsoever, even though those businesses (such as restaurants) may be near the Approved Location of your Restaurant or may operate within the Protected Territory under your Franchise Agreement (or the Development Area under your Development Agreement), and even though those restaurants may appear to (or actually) have an impact on sales at your Restaurant. Other than our obligations to you under the Franchise Agreement, we are not obligated to resolve conflicts among us and any operators (or between operators) of Other Brands regarding territory, customers, and franchisor support.

Development Agreement

Under the Development Agreement, and as described in Item 1, if you sign a Development Agreement, you will receive a Development Area in which you must develop Restaurants. If you are in compliance with your obligations under the Development Agreement and all other Franchise Agreements between you and us, then we will not establish, nor license anyone other than you to establish, a Restaurant in the Development Area until the last date specified in the Development Schedule, except as otherwise provided below. We will retain all other rights, and therefore retain the right (among others), and without granting to you any rights, to:

- establish, and license others to establish, Restaurant at any location outside the Development Area notwithstanding their proximity to any Restaurants you may operate within the Development Area, or their actual or threatened impact on sales at those Restaurants;

- establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location, within or outside the Development Area, notwithstanding such Restaurants' proximity to any Restaurant you operate;

- establish, and license others to establish, stores under other systems or other proprietary marks, which stores may offer or sell products that are similar to, or different from the Products offered from the Restaurant, and which stores may be located within or outside the Development Area, notwithstanding such stores' proximity to any Restaurant you operate;

- acquire and operate any business or store of any kind, whether located within or outside the Development Area (excluding Restaurants operated under the System within the Development Area), notwithstanding such the proximity of any such businesses or stores to any Restaurant you operate; and/or

- sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any Products from any location or to any purchaser (including, but not limited to, sales made at retail locations), so long as the sales are not conducted from a retail Restaurant operated from a location inside the Development Area.

We must approve the locations and territories for each of the Restaurants to be developed under the Development Agreement, and our then-current standards for those locations and territories will apply.

If you are not in compliance, the Development Agreement will terminate, we will retain your development fee, and you will lose all rights to develop in the Development Area. You will not have any options, rights of first refusal, or similar rights to acquire additional franchises, development rights, or other rights under the Development Agreement. Other than your obligation to meet the development schedule provided under the Development Agreement, continuation of your rights regarding the Development Area are not contingent upon your having met any particular sales volume, market penetration, or any other contingency, and we don't have any right to alter the Development Area provided under your Development Agreement.

ITEM 13
TRADEMARKS

We grant you the right to use certain Proprietary Marks under the Franchise Agreement. We have registered and own the following Proprietary Mark that is registered with the U.S. Patent and Trademark Office (the "**USPTO**") on its Principal Register:

Mark	Registration Number	Registration Date
MANHATTAN BAGEL (word mark)	2,031,357	January 21, 1997

We have filed and intend to file affidavits and make renewal filings when they come due for this registration.

Your right to use the Proprietary Marks is limited to the uses that are authorized under the Franchise Agreement, and any unauthorized use of the Proprietary Marks will infringe upon our rights. You may not use any Proprietary Mark: (1) as part of any corporate name or other business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (3) for performing or selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine or in any other manner for an Online Site without our prior written approval; or (5) in any other manner that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your business and Restaurants in the manner we specify (such as on invoices, order forms, receipts, and contracts). You must also give the trademark registration notices that we designate, and obtain any assumed business name registrations that applicable law requires.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Proprietary Marks. Based on a settlement with a prior user of the Manhattan Bagel name, we are not permitted to operate or franchise any Restaurants using the Proprietary Marks in Kentucky until 2045. Except as described above, no agreement significantly limits our rights to use or license the Proprietary Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

You must promptly notify us of any unauthorized use of the Proprietary Mark, any challenge to the validity of the Proprietary Marks or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Mark. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Mark, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Mark. You must render the assistance we require to protect and maintain our interests in any litigation or proceeding or otherwise to protect and maintain our interests in the Proprietary Marks. We will defend you against any third party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in compliance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement, as well as your out of pocket costs (except that you will bear the salary costs of your employees). If we determine that you have not used the Proprietary Marks in compliance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement, and you must promptly reimburse us for those amounts. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Proprietary Mark or for you and the Restaurant to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Restaurant.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Manhattan Bagel Restaurants, including the Manual, advertising and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No provision in the Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Confidential Information

Except for the purpose of operating the Restaurant under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know–how concerning the operation of the Restaurant that may be communicated to you or that you may learn by virtue of your operation of a Restaurant. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Restaurant. Any and all information, knowledge, know–how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Operating Partner and your Highly Trained Personnel to sign a Non-Disclosure and Non-Competition Agreement. Every one of these agreements must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Restaurant. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this Non-Disclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit F.

Confidential Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business according to the Manual. We will lend you one set of our Manual for the term of the Franchise Agreement.

You must always treat in a confidential manner the Manual, any other manuals we create (or that we approve) for use with the Restaurant, and the information contained in the Manual. You must use best efforts to maintain this information as secret and confidential. You may not copy, duplicate, record, or otherwise reproduce the Manual and the related materials, or any part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always keep the Manual in a secure place at the Restaurant's premises.

We may periodically revise the contents of the Manual, and you must make corresponding revisions to your copy of the Manual and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, our master copy of the Manual (maintained at our home office) will be controlling.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement does not require you to participate personally in the direct operation of the Restaurant, although we encourage and recommend active participation by you. We do, however, require that you or your Operating Partner devote full time, energy, and best efforts to the management of the Restaurant. If you are a corporation, partnership, or other entity, we require all of your owners to sign a personal guarantee (in the form attached to the Franchise Agreement as Exhibit A) of the performance of your obligations under the Franchise Agreement.

If you are a corporation or a partnership, an Operating Partner must supervise the operation of the Restaurant and must be approved by us. The Certified Manger must also be approved by us. Our approval will be based on whether the proposed Operating Partner and Certified Manager have a good business reputation in the restaurant industry with multi-unit experience (for Operating Partner) or single site general management experience (for a Certified Manager), are not competitors of ours, and whether they can successfully complete our training program. Operating Partners and Certified Managers must be able to speak the English language to attend and complete our training course. All persons that subsequently serve in the positions of Operating Partner and Certified Manager must be approved by us and must attend and successfully complete our manager training program which is described in Item 11 of this disclosure document.

We require your principals (including the Operating Partner), Certified Managers, supervisors and other managers to sign a non-disclosure and non-competition agreement, the form of which is attached to the Franchise Agreement as Exhibit F. We do not impose any other restrictions on your managers.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only products and services that conform to our standards and specifications (which are described in Item 8 above). You also will have certain obligations to offer for sale particular items (which are described in Item 9 above). We have the right, without limit, to change the types of authorized products and services.

As noted above in Item 12, you may only offer and sell products to retail customers for consumption on the Restaurant's premises, for personal carry–out consumption, and for delivery service in a manner that complies with our standards. You may also sell products to end–users and other entities that do not resell the products. You may not sell products to gift shops and similar type stores. We will have the right to review and approve (or not approve) any proposed sale of the products to a hotel or a restaurant (which may be required to comply with our standards in order to feature or give away Manhattan Bagel brand products). All sales will be counted in "Gross Sales."

The Approved Location for the Restaurant will be specified in the Franchise Agreement. You may not relocate the Restaurant without our prior written approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document. Please also read the notes that follow this table.

THE FRANCHISE RELATIONSHIP			
	Provision	**Section in Agreement**	**Summary** (please see Note 1)
a.	Length of the franchise term	§ 2.1 of Franchise Agreement; § 4 in Area Development Agreement; § 4 of Software License Agreement	The earlier of 10 years from the date the Restaurant opens, or 11 years from the effective date of the Franchise Agreement
b.	Renewal or extension of the term	§ 2.2 of Franchise Agreement; not applicable in Area Development Agreement	One additional 10-year term

THE FRANCHISE RELATIONSHIP			
	Provision	**Section in Agreement**	**Summary** (please see Note 1)
c.	Requirements for you to renew or extend	§§ 2.2.1 - 2.2.8 of Franchise Agreement; none in Area Development Agreement	Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, release, sign new Franchise Agreement, and others; see §§ 2.2.1 – 2.2.8 in Franchise Agreement. If you seek to renew your franchise at the expiration of the initial term, you may be asked to sign a new form of franchise agreement that contains terms and conditions materially different from those in your original franchise agreement, such as different fee requirements and territorial rights.
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	Termination of the Area Development Agreement does not constitute a default under any Franchise Agreement.

THE FRANCHISE RELATIONSHIP			
	Provision	**Section in Agreement**	**Summary** (please see Note 1)
f.	Termination by us with cause	§ 17 of Franchise Agreement; § 6 in Area Development Agreement; § 9 of Software License Agreement	Default under Franchise Agreement (which includes a default under the Development Agreement) or the Development Agreement, bankruptcy, abandonment, and other grounds; see § 17 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.) Termination of the Area Development Agreement does not constitute a default under any Franchise Agreement.
g.	"Cause" defined – curable defaults	§§ 17.1 and 17.2 of Franchise Agreement; § 6.3 in Area Development Agreement	All other defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement. Termination of the Area Development Agreement does not constitute a default under any Franchise Agreement.
h.	"Cause" defined – non-curable defaults	§§ 17.1 and 17.2 of Franchise Agreement; §§ 6.1 and 6.2 in Area Development Agreement	Bankruptcy, abandonment, conviction of felony, and others; see § 17.2. of the Franchise Agreement (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.) Also failure to meet the development schedule under your Development Agreement. Termination of the Area Development Agreement does not constitute a default under any Franchise Agreement.

THE FRANCHISE RELATIONSHIP			
	Provision	**Section in Agreement**	**Summary** (please see Note 1)
l.	Your obligations on termination/ nonrenewal	§ 18 of Franchise Agreement; § 6.4 in Area Development Agreement; § 10 of Software License Agreement	Stop operating the Restaurant, pay amounts due, and others; see §§ 18.1 – 18.9 of the Franchise Agreement.
j.	Assignment of contract by us	§ 16.1 of Franchise Agreement; § 7.1 in Area Development Agreement	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – defined	§§ 16.4.1 - 16.4.4 of Franchise Agreement; §§ 7.4.1 – 7.4.4 in Area Development Agreement	Includes transfer of any interest.
l.	Our approval of transfer by you	§ 16.4 of Franchise Agreement; § 7.4 in Area Development Agreement	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	§ 16.5 of Franchise Agreement; § 7.5 in Area Development Agreement	Your compliance with the existing franchise agreement, a release, the buyer's signature of a new Franchise Agreement, the payment of transfer fee, and others; see §§ 16.5.1 – 16.5.10 of the Franchise Agreement.
n.	Our right of first refusal to acquire your business	§ 16.6 of Franchise Agreement; § 7.6 in Area Development Agreement	We can match any offer.
o.	Our option to purchase your business	§§ 18.4 and 18.5 of Franchise Agreement; not applicable in Area Development Agreement	We can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at cost or fair market value.
p.	Your death or disability	§§ 16.7 of Franchise Agreement; §§ 7.7, 7.8 and 7.9 in Area Development Agreement	Your estate must transfer your interest in the Franchised Business to a third party we have approved, within a year after death or six months after the onset of disability.

THE FRANCHISE RELATIONSHIP			
	Provision	**Section in Agreement**	**Summary** (please see Note 1)
q.	Non–competition covenants during the term of the franchise	§§ 19.2, 19.3 and 19.4 of Franchise Agreement; §§ 8.2, 8.3 and 8.4 in Area Development Agreement	Includes prohibition on engaging in a "Competitive Business," which is a retail business selling or offering bagels, cream cheese, and/or coffee products that separately or in the aggregate constitute or would constitute 30% or more of that business' gross revenues at any one or more retail location(s); see §§ 19.2 - 19.4 of the Franchise Agreement.
r.	Non–competition covenants after the franchise is terminated or expires	§§ 19.2, 19.3, 19.4 and 19.5 of Franchise Agreement; §§ 8.3 and 8.4 in Area Development Agreement	Includes a two year prohibition similar to "q" (above), within the Protected Territory, or within 10 miles of any other Restaurant then-operating under the System.
s.	Modification of the agreement	§ 25 of Franchise Agreement; § 13 in Area Development Agreement; § 19 in Software License Agreement	Must be in writing signed by both parties.
t.	Integration/ merger clause	§ 25 of Franchise Agreement; § 13 in Area Development Agreement; § 16 in Software License Agreement	Only the terms of the Franchise Agreement and Area Development Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	§ 27.3 of Franchise Agreement; § 15.3 in Area Development Agreement	Before bringing an action in court, the parties must first submit the dispute to non–binding mediation (except for injunctive relief) in Colorado.

THE FRANCHISE RELATIONSHIP			
	Provision	**Section in Agreement**	**Summary** (please see Note 1)
v.	Choice of forum	§ 27.2 of Franchise Agreement; § 15.2 in Area Development Agreement	If we ever litigate, you must do so in the state and judicial district where we maintain our principal place of business (currently, Denver, Colorado).*
w.	Choice of law	§ 27.1 of Franchise Agreement; § 15.1 in Area Development Agreement	Colorado law applies.*

ITEM 18
PUBLIC FIGURES

We do not use any public figures to promote our franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose 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 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 performance at a particular location or under particular circumstances.

Please read the following information in conjunction with your review of the historical data. The data provided in this Item 19 are based on results during our last fiscal year (December 27, 2023 to December 31, 2024).

The information presented in this Item 19 is a compilation of financial information that has not been audited.

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Table 1:
(Please read Table 1 in conjunction with the notes that follow)

2024 Sales Distribution Information of Restaurants

Annual Net Revenue Level during the 52-week period from December 28, 2023 to December 31, 2024	Percentage of Restaurants at Net Revenue Level	Cumulative Percentage of Restaurants at Net Revenue Level	Number of Restaurants at Net Revenue Level
$650,000 and Above	48.4%	48.4%	31
$550,000 - $650,000	15.6%	64.1%	10
$450,000 - $550,000	18.8%	82.8%	12
$350,000 - $450,000	10.9%	93.8%	7
Below $350,000	6.3%	100.0%	4

Number of Manhattan Bagel Restaurants with Annual Net Revenue that meets or exceeds the system average .....23 .....35.94%

Mean Average Net Revenue for the Manhattan Bagel Restaurant system $744,578

Median Average Net Revenue for the Manhattan Bagel Restaurant system $628,269

Highest Net Revenue Restaurant in Manhattan Bagel Restaurant system $2,485,367

Lowest Net Revenue Restaurant in Manhattan Bagel Restaurant system $200,752

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Table 2:
(Please read this Table 2 together with the notes that follow.)

Annual Net Revenue By Sales Range Manhattan Bagel Restaurants
52 Week Fiscal Year Ended December 31, 2024

	Restaurants with Net Revenue in this Range					Manhattan Bagel System - Average Restaurant
	Above $650,000	Between $550,000 and $650,000	Between $450,000 and $550,000	Between $350,000 and $450,000	Below $350,000	
Mean Average Net Revenue in this category	$1,025,653	$591,759	$521,183	$402,953	$291,384	$756,049
Median Average Net Revenue in this category	$948,339	$590,335	$525,149	$420,618	$312,170	$639,428
Number of restaurants in this category	32	9	12	7	4	64
Number and percentage of restaurants in this category that met or exceeded the mean average	11	5	8	4	2	22
	34%	56%	67%	57%	50%	34%

Notes to Tables:

1. As used in this Item 19: “Net revenue” means all sales of food, beverages, and promotional items, but excludes all sales and service taxes, and the dollar amount of coupons, employee discounts, and other promotional discounts; “Mean Average” means the sum of all net revenues for the Restaurants included divided by the number of Restaurants included; “Median Average” means the middle value net revenue achieving Restaurant among the Restaurants included.

2. The basis and assumptions upon which we prepared the information in Tables 1 and 2 above are the unaudited sales information provided to us for 66 franchised (and no company-owned) Manhattan Bagel Restaurants that were open for the full year during our last fiscal year, which started on December 27, 2023 and ended on December 31, 2024. Four franchised Manhattan Bagel Restaurants were excluded from the 2024 results due to not being open for the entire fiscal year.

3. ***Some outlets have earned these amounts. Your individual results may differ. There is no assurance you will earn as much.***

4. Written substantiation of the data used in preparing this information is on file at our offices and will be made available to you upon reasonable request.

5. Other than the preceding financial performance representation, Manhattan Bagel Company, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Matthew Copenhaver at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 (303.568.8000), the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1:
System-wide Manhattan Bagel Restaurant Outlet
Summary For Years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	61	62	1
	2023	62	68	6
	2024	68	68	0
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	**2022**	**61**	**62**	**1**
	2023	**62**	**68**	**6**
	2024	**68**	**68**	**0**

Table 2:
Transfers of Manhattan Bagel Restaurant Outlets from Franchisees to New Owners (other than Franchisor)
For Years 2022 to 2024

State	Year	Number of Transfers
Delaware	2022	0
	2023	1
	2024	0
Florida	2022	0
	2023	1
	2024	0
New Jersey	2022	5
	2023	3
	2024	3
Pennsylvania	2022	2
	2023	2
	2024	2
Virginia	2022	1
	2023	0
	2024	0
Total	**2022**	**8**

State	Year	Number of Transfers
	2023	7
	2024	5

Table 3:
Status of Manhattan Bagel Restaurant Outlets for Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Re-newals	Re-acquired by Fran-chisor	Ceased Opera-tions-Other Reasons	Outlets at End of the Year
CA	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
DE	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
FL	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NJ	2022	32	0	0	0	0	0	32
	2023	32	3	0	0	0	0	35
	2024	35	0	1	0	0	0	34
NC	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
PA	2022	21	1	0	0	0	0	22
	2023	22	3	0	0	0	0	25
	2024	25	1	0	0	0	0	26
VA	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Totals	**2022**	**61**	**1**	**0**	**0**	**0**	**0**	**62**
	2023	**62**	**6**	**0**	**0**	**0**	**0**	**68**
	2024	**68**	**1**	**1**	**0**	**0**	**0**	**68**

Table 4:
Status of Company Owned Manhattan Bagel
Restaurant Outlets for Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Any State	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	**2022**	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**
	2024	**0**	**0**	**0**	**0**	**0**	**0**

Table 5:
Projected Manhattan Bagel Restaurant Openings as of December 31, 2024, for 2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets In the Next Fiscal Year
Pennsylvania	2	2	0
New Jersey	3	0	0
Total	**5**	**2**	**0**

The names, addresses, and telephone numbers of our franchisees and developers as of December 31, 2024 are listed in Exhibit F.

The name and last known address and telephone number of every one of our franchisees and developers who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the one-year period ending December 31, 2024 or who has not communicated with us within ten weeks of the date of this disclosure document are also listed in Exhibit F. Exhibit G lists our company-owned units (currently there is one). If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of the date of this franchise disclosure document, there are no Manhattan Bagel franchisee associations in existence regardless of whether they use our trademark or not.

In some instances, Manhattan Bagel franchisees have signed confidentiality clauses during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Manhattan Bagel. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

ITEM 21
FINANCIAL STATEMENTS

The financial statements listed below are attached to this disclosure document as Exhibit H:

CCC's* audited financial statements as of December 31, 2024 and December 26, 2023 and for each of the years ended December 31, 2024, December 26, 2023, and December 27, 2022.

* CCC guarantees our obligations to our franchisees, and a copy of those guarantees is attached at Exhibit H. CCC's fiscal year ends on the Tuesday closest to December 31 each year.

ITEM 22
CONTRACTS

The following contracts are attached as exhibits to this disclosure document:

Exhibit A - The Franchise Agreement, which includes the following exhibits that are attached to the Franchise Agreement:

A. Guarantee, Indemnification and Acknowledgment
B. List of Principals
C. EFT Authorization Form
D. ADA Certification
E. Lease Rider
F. Non–Disclosure and Non–Competition Agreement

Exhibit B - The Development Agreement

Exhibit C - The Software License Agreement

Exhibit L - General Release Language

ITEM 23
RECEIPT

The last two pages of this disclosure document (Exhibit M) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this disclosure document.

Exhibit A
Franchise Agreement and Exhibits

Manhattan BAGEL®

Manhattan Bagel Company, Inc.

Franchise Agreement

Manhattan Bagel Company, Inc.
Franchise Agreement

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Manhattan Bagel Company, Inc.
Franchise Agreement

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the date that we have indicated on the signature page of this Agreement (the "**Effective Date**") by and between:

- Manhattan Bagel Company, Inc., a New Jersey corporation, with its principal place of business at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 ("**we**," "**us**," or "**our**"); and

- _____a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____("**you**" or the "**Franchisee**").

Introduction

*We own a format and system relating to the establishment and operation of "Manhattan Bagel Restaurants" (which are businesses operating under our Proprietary Marks in buildings that bear our interior and/or exterior trade dress, each one of which is referred to as a "**Restaurant**"). A Restaurant specializes in the sale of Proprietary Items (which include items such as fresh-baked bagels, cream cheese and other spreads, specialty coffees and teas, and creative soups, salads and sandwiches, and other such additional products that we may periodically specify), as well as non Proprietary Items (such as sandwiches, salads, soups, and other beverage items) for on premises and carry out consumption (collectively, the "**Products**").*

*Among the distinguishing characteristics of a Restaurant are that it operates under our "Manhattan Bagel" "System." Our System includes (among other things): Products; equipment layouts; signage; distinctive interior and exterior design and accessories; operational procedures; quality and uniformity of products and services offered; recipes, procedures for management and inventory control; training and assistance; and marketing programs; all of which we may periodically change, improve, and further develop (together, the "**System**").*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include the certain trade names (for example, the "MANHATTAN BAGEL" mark and logo), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of services*

and products marketed under those marks and under the System, and to represent the System's high standards of quality, appearance, and service.

You have asked to enter into the business of operating a Restaurant under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have decided to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this contract, and they agree as follows:

1 GRANT

1.1 *Rights and Obligations*. We grant you the right, and you accept the obligation, all according to the terms and conditions of this Agreement, to:

1.1.1 operate a Restaurant under the System (the "**Franchised Business**");

1.1.2 use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 do all of these things at the Approved Location (which is defined in Section 1.2 below) and only at the Approved Location.

1.2 *Approved Location*. The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the "**Approved Location**."

1.2.1 Before we will give you our consent to the Approved Location, you must execute and deliver to us the Lease Rider attached to this Agreement as Exhibit F (which must also be signed by your landlord).

1.2.2 We have the right to grant or withhold approval of the Approved Location under this Section 1.2. You understand, acknowledge, and agree that our review and approval of your proposed location, under this Section 1.2 does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Approved Location will be profitable or successful.

1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the new site under our then-current standards for site selection, except that we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new restaurant to their establishment. In addition, and instead of a new franchise fee, you agree to reimburse us for the out-of-pocket costs that we incur in

connection with reviewing and approving your proposed relocation, any related lease matters, and any necessary amendments to this Agreement (including our attorneys' fees).

1.3 *Protected Territory and Exclusions*. During the term of this Agreement, we agree not to establish, and not to license any other person to establish, another Restaurant at any location within the "Protected Territory" (the area that we have designated in Exhibit A is referred to as the "**Protected Territory**"), except as otherwise provided in this Agreement (including for example, the provisions in Sections 1.3.1–1.3.5 below). Your Protected Territory does not include Captive Market Locations or Non-Traditional Facilities (defined below). We retain all other rights. We have the exclusive right, among other things, on any terms and conditions we deem advisable, and without granting you any rights in these matters, to do any or all of the following:

1.3.1 We have the right to establish, and franchise others to establish, Restaurants at any location outside the Protected Territory, despite their proximity to the Protected Territory or the Approved Location or their actual or threatened impact on sales at the Franchised Business.

1.3.2 We have the right to establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below) inside or outside the Protected Territory, despite such Restaurants' proximity to the Approved Location or their actual or threatened impact on sales at the Franchised Business.

1.3.3 We have the right to establish, and license others to establish, businesses that are not operated under the System and that do not use the Proprietary Marks licensed to you under this Agreement, even if those businesses offer or sell products that are the same as or similar to the Products offered from the Franchised Business, whether those businesses are located inside or outside the Protected Territory, despite such businesses' proximity to the Approved Location or their actual or threatened impact on sales at the Franchised Business (so long as those businesses are not Restaurants operated within the Protected Territory).

1.3.4 We have the right to acquire (or be acquired) and then operate any business of any kind, whether located inside or outside the Protected Territory, despite such businesses' proximity to the Approved Location or its actual or threatened impact on sales at the Franchised Business (so long as those businesses are not Restaurants operated within the Protected Territory).

1.3.5 We have the right to sell and distribute, or license others to sell and distribute, directly or indirectly, any Products or Proprietary Items in ready-to-prepare (as compared to ready-to-consume) form, from any location or to any purchaser (including, but not limited, the sale of items to purchasers in the Protected Territory through supermarkets, gourmet shops, mail order, and on the Internet, under our Proprietary Marks or as private-labeled items), so long as these sales are not made from a Restaurant operated inside the Protected Territory (excluding a Captive Market Location or Non-Traditional Facility).

1.3.6 Definitions.

1.3.6.1 The term "**Captive Market Location**" is agreed to include, among other things, non-foodservice businesses of any sort within which a Restaurant or an "Manhattan Bagel" branded facility is established and operated (including, for example, hotels and resorts), as well as branded locations that serve only our brand of coffee.

1.3.6.2 The term "**Non-Traditional Facility**" includes, among other things, college campuses, schools, hotels, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

1.4 *Limits on Where You May Sell*. You may only offer and sell Products (unless otherwise identified in this Agreement, the term "Products" includes Proprietary Items) from the Franchised Business, only in accordance with the requirements of this Agreement and the procedures set forth in the Manual, and only to retail customers for consumption on the Franchised Business's premises or for personal, carry-out consumption of food products. You agree not to offer or sell Products through any means other than through the Franchised Business as provided in this Section 1.4; and therefore, for example, you agree not to offer or sell Products from satellite locations, temporary locations, carts or kiosks, by use of catalogs, the Internet, or through any other electronic or print media. You must request and receive our prior written approval in order to offer and sell Products by delivery, or through catering, from the Restaurant.

1.5 *Delivery, Catering and Wholesale Customers.* You acknowledge and agree that Restaurants are primarily dine-in restaurants, and that we have the right to approve or disapprove any activity(ies) proposed to take place outside the Restaurant, including, without limitation, delivery and catering activities and sales to wholesale customers. We will consider various factors in determining whether to permit you to provide delivery, catering or wholesale services from the Franchised Business, including, without limitation, the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

1.5.1 You agree not to engage in delivery, catering and/or wholesale services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent as to each proposed delivery, catering and/or wholesale order.

1.5.2 Any delivery, catering and/or wholesale activities that you undertake must be conducted in accordance with the procedures that we specify in the Manual or otherwise in writing. By granting approval to any one or more proposals to cater, deliver, or provide wholesale services, we will not be deemed to have given our approval, or waived our right to disapprove, any ongoing or additional catering, delivery or wholesale activities.

1.5.3 We have the right (but not the obligation) to establish a catering program that may include online and telephone ordering features, on our own or in conjunction

with one or more outside vendors (the "**Catering Program**"). If we establish a Catering Program, you agree to participate and to pay the fees and costs associated with doing so.

1.5.4 We have the right to require that you execute delivery through Restaurant staff and/or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such delivery services, including the arrangements that you propose to make with any third-party delivery vendor.

1.5.5 All delivery, catering and wholesale sales will be considered as part of the Gross Sales (see Section 4.2.2 below) of your Franchised Business.

1.5.6 If we approve the offer or sale of wholesale Products from the Franchised Business, the "**wholesale customers**" to whom you offer these Products must not: (a) purchase products in excess of One Thousand Dollars ($1,000) a month from you; (b) be in the business of selling bagels; and (c) use any of the Proprietary Marks in connection with serving and/or reselling Products purchased from you. Upon your written request that we waive some or all of the conditions in the preceding sentence with respect to one or more proposed wholesale customers, we will have the right to grant or withhold consent, in writing to such a waiver.

1.6 *Other Brands*. You acknowledge and agree that: (a) you will have no rights with respect to any other business operated by us and/or our affiliates, including but not limited to, those that license and/or operate businesses under the brands *Noah's New York Bagels, Einstein Bros. Bagels,* and/or *Kettleman's* (the "**Other Brands**"); and (b) we will have the right to operate and license others to operate restaurants under the Other Brands at any location whatsoever, whether inside or outside the Protected Territory.

2 TERM AND RENEWAL

2.1 *Term*. The term of this Agreement shall start on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, shall expire upon the earlier of: (a) ten (10) years from the date upon which the Restaurant opens for business; or (b) eleven (11) years from the Effective Date.

2.2 *Renewal*. You will have the right to renew this Agreement for one (1) additional ten-year term, subject to your having satisfied all of the following conditions before renewal:

2.2.1 You must give us written notice of your election to renew at least nine (9) months before the end of the term of this Agreement (but not more than one (1) year before the term expires).

2.2.2 You must remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Restaurants (as well as the provisions of Sections 5.4.4 and 8.6 below).

2.2.3 At the time of renewal, you must be in material compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to

this Agreement, and/or any other agreement between you (and your affiliates) and us (and our affiliates) (and in our reasonable judgment, you must have been in material compliance during the term of this Agreement), even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations.

2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the System Marketing Fund, and/or the Market Co-op Fund, as well as your vendors, throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations).

2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2), and which you acknowledge may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage royalty fee and marketing contribution). If you are an entity (in this Agreement, the term "**entity**" includes (among other things) a corporation, limited liability company, partnership, and a limited liability partnership), then your direct and indirect owners must sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement.

2.2.6 Instead of a new initial franchise fee, you must pay us a renewal fee equal to the greater of: (a) Twelve Thousand Five Hundred Dollars ($12,500), and (b) fifty percent (50%) of our then-current initial franchise fee for a new Franchised Business.

2.2.7 You must sign and deliver to us a release, in a form that we will provide (which will be a mutual release with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.

2.2.8 You and your personnel must meet our then-current qualification and training requirements.

2.2.9 You must be current with respect to your financial and other obligations to your lessor, suppliers, and any other parties with whom you do business.

3 OUR DUTIES

3.1 *Training*. We will provide you with the training specified in Section 6 below.

3.2 *Standard Layout*. We will make available, at no charge to you, a standard layout plan for the construction of a Restaurant and for the exterior and interior design and layout,

fixtures, furnishings, equipment, and signs. We will also provide the site selection and lease review assistance called for under Section 5.3 below.

3.3 *Additional Assistance*. We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Manual (defined below).

3.4 *Manual*. During the term of this Agreement we will provide you with access to our confidential operations manuals and other written instructions relating to the operation of a Restaurant (the "**Manual**"), in the manner and as described in Section 10 below.

3.5 *Marketing Materials*. We will review and shall have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.

3.6 *Marketing Funds*. We will administer the Systemwide Marketing Fund or Market Co-Op Fund (as defined in Section 13 below), if such funds exist or are created, as set forth in Section 13 below.

3.7 *Grand Opening Marketing Program*. We will assist you in developing and conducting the Grand Opening Marketing Program (as described in Section 13.8 below), which program shall be conducted at your expense.

3.8 *Inspection Before Opening*. We will evaluate the Franchised Business before it first opens for business. You must not open the Franchised Business or otherwise start operations until you have received our prior written approval.

3.9 *Periodic Assistance*. We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as an accounting manager, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations.

3.10 *Services Performed*. You acknowledge and agree that any of our designees, employees, agents, or independent contractors (such as an "area developer") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

3.11 *Our Decision-Making*. In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: (a) to take into account, as we see fit, the effect on, and the interests of, other franchised businesses and systems in which we have an interest and on our activities (and those of our affiliates'); (b) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; (c) to introduce Proprietary Items and non-proprietary items or operational equipment used by the System into other franchised systems in which we have an interest; and/or (d) to allocate resources and new developments between and

among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section 3.11, and that nothing in this Section 3.11 shall in any way affect your obligations under this Agreement.

3.12 *Confirmation of Performance*. After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the "**Confirmation of Performance**"), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you must execute and deliver the Confirmation of Performance to us within three (3) business days after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same three (3) day period, provide us with written notice specifically describing the obligations that we have not performed. Not later than three (3) business days after we complete all the obligations that you specified in that notice, you must execute and deliver the Confirmation of Performance to us. You must do so even if we performed such obligations after the time performance was due under this Agreement. The term "pre-opening obligations" means the obligations we have to you under this Agreement that must be performed before the date when your Franchised Business starts its operations.

4 ROYALTY FEES; SALES REPORTING

4.1 *Initial Franchise Fee*. You agree to pay us an initial franchise fee of Twenty-Five Thousand Dollars ($25,000) (the "**Initial Franchise Fee**"). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable in consideration of administrative and other expenses that we incur in granting this franchise and for our lost or deferred opportunity to grant a franchise to other parties.

4.2 *Royalty Fee and Sales Reports*. For each Month during the term of this Agreement, you agree to pay us a continuing royalty fee in an amount equal to five percent (5%) of the Gross Sales of the Franchised Business ("**Royalty Fees**"). You must prepare and report to us in writing (or, at our option, electronically) your Gross Sales (a "**Sales Report**") on a weekly basis, at such time(s) as we may periodically require. As used in this Agreement:

4.2.1 the term "**Month**" means a four- or five-week period (or calendar month) that we designate, but there will not be more than 13 "Months" in a given calendar year, or 26 "Months" over a two-year period.

4.2.2 the term "**Gross Sales**" means all revenue from the sale of all Products, services and Proprietary Items, and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, including without limitation proceeds of any business interruption insurance policies, and sales from catering and delivery if permitted; whether such sales are made at retail or wholesale (whether permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit. However, Gross Sales excludes customer refunds and ordinary discounts, as well as sales taxes and/or other taxes that you directly collect from customers and actually transmit to the appropriate taxing authorities.

4.3 *Alternative Royalty Fees and Other Payments*. If applicable law (state or local) prohibits or restricts in any way your ability to pay (or our ability to collect) Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Franchised Business, then the parties will renegotiate and agree (in writing) on a new structure for the Royalty Fees and other provisions so as to provide the same basic economic effect to both parties, as otherwise provided in this Agreement, with a corresponding change to the definition of Gross Sales.

4.4 *Due Date*. All payments required by Section 4.2 above and Section 13 below must be paid and submitted so that they are received by us, in our offices, by the fifth (5^{th}) business day of each Month, based on the Gross Sales of the previous Month just ended. In addition, you agree to all of the following:

4.4.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12.3 below, at the time and in the format that we reasonably request.

4.4.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under Sections 4 or 13 of this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.4.2), and you agree to comply with the payment and reporting procedures that we may specify in the Manual or otherwise in writing.

4.4.3 You acknowledge and agree that your obligation to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully earned, and due when you have generated and received Gross Sales.

4.4.4 You agree that you will not, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set -off payments due to us against any claims or alleged claims that you may allege against us, the System Marketing Fund, the Market Co-op Fund or others.

4.4.5 You agree that if you do not provide us, as requested, with access to your computer system to obtain sales information or, if we permit, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Month(s) that we choose, including but not limited to those with your highest grossing sales; and that you must pay the royalties on that amount (whether by check or by our deduction of that amount from your direct debit account).

4.4.6 You agree that you will not, whether on grounds of alleged non-performance by us or others, withhold payment of any fee, including, without limitation, Royalty Fees or Marketing Contributions, nor withhold or delay submission of any reports due under this Agreement including, without limitation, Sales Reports.

4.5 *No Subordination*. You agree not to subordinate to any other obligation your obligation to pay us the royalty fee and/or any other amount payable to us, whether under this Agreement or otherwise, and that any such subordination commitment that you may give without our prior written consent shall be null and void.

4.6 *Late Payment*. Any payment that we (or the appropriate marketing fund) do not receive on or before the due date shall be deemed overdue. Any report that we do not receive on or before the due date shall also be deemed overdue. If any payment is overdue, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but not to exceed any maximum rate permitted by law, if any). Our entitlement to such interest shall be in addition to any other remedies we may have.

4.7 *Other Funds Due*. You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any monies that we have paid, or that we have become obligated to pay, on your behalf, by consent or otherwise under this Agreement.

4.8 *Index*. We have the right to adjust, for inflation, all fixed dollar amounts under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index. For the purpose of this Section 4.8, the term "**Index**" means the Consumer Price Index (1982 84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics ("**BLS**"). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

4.9 *Systems Support Fee*. You must pay us (or our affiliate or designee) a systems support fee for each Month in such reasonable amount as we may periodically designate. (You acknowledge that upon execution of this Agreement, the systems support fee is approximately $300-500 per Month.)

5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

5.1 *Opening the Franchised Business. You are* responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You must establish the Franchised Business and have it open and in operation within two hundred seventy (270) days after the Effective Date of this Agreement. Time is of the essence. You acknowledge and agree that any site selection assistance or approval that we provide will not be construed or interpreted as a guarantee of success for the approved location (or any other site), nor shall any location recommendation or approval we make be deemed a representation that any particular location is available or suitable for use as a Franchised Business.

5.2 *Lease Conditions.* Our approval of the lease or purchase agreement shall be conditioned upon the execution by you and the landlord for the Approved Location of the Lease Rider attached to this Agreement as Exhibit F, as well as the inclusion in the lease or purchase agreement of terms acceptable to us. Whether or not contained in the Lease Rider, we will have the right to require inclusion in the lease of any or all of the following provisions, which will:

5.2.1 Allow us the right to elect to take an assignment of the leasehold interest upon termination or expiration of your rights under this Agreement, or upon the termination or expiration of your rights under the lease;

5.2.2 Require the lessor to provide us with a copy of any notice of deficiency under the lease sent to you, at the same time as notice is given to you (as the lessee under the lease), and which grants us the right (but not obligation) to cure any of your deficiencies under the lease within fifteen (15) business days after the expiration of the period in which you had to cure any such default should you fail to do so;

5.2.3 Recognize your right to display and use the Proprietary Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;

5.2.4 Require that the premises be used solely for the operation of a "Manhattan Bagel" restaurant business;

5.2.5 Upon our request, require you to de-identify the premises as a Restaurant and to promptly remove all Proprietary Marks, signs, decor and other items which we reasonably request be removed as being distinctive and indicative of a Restaurant and the System (or, if you fail to do the foregoing things, then the lease must permit us to have sufficient access to the interior and exterior of the premises so that we may de-identify the premises, as provided above, at your cost); and

5.2.6 State that any default under the lease shall also constitute a default under the Franchise Agreement, and any default under the Franchise Agreement shall also constitute a default under the lease.

5.3 *Review*. Any reviews that we conduct under this Section 5 are only for our benefit. You also acknowledge and agree to all of the following:

5.3.1 You acknowledge and agree that our review and approval of a site, lease, sublease, design plans or renovation plans for the Store do not constitute a recommendation, endorsement, or guarantee of the suitability of that location or the terms of the lease, or sublease, or purchase agreement. You agree that you will take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, or purchase agreement for the site are beneficial and acceptable to you.

5.3.2 You also acknowledge and agree that no matter to what extent (if any) that we participate in lease negotiations, discussions with the landlord, and/or otherwise in connection with reviewing the lease, you will have to make the final decision as to whether or not the lease is sensible for your business, and the final decision as to whether or not to sign the lease is yours, and you agree not hold us responsible with respect to the terms and conditions of your lease.

5.3.3 Additionally, with respect to any review of your design plans and construction or renovation plans, or other federal, state, or local health regulations, we will not

review whether you are in compliance with federal, state, or local laws and regulations, including the ADA (defined below), and you acknowledge and agree that: ***(a)*** you are solely responsible for compliance with all such laws and regulations; and ***(b)*** our approval is not, and will not be deemed to be, an assessment as to whether or not you have complied with those laws and regulations.

5.4 *Preparing the Site.* You agree that, promptly after obtaining possession of the approved site for the Franchised Business, you shall do all of the following things:

5.4.1 cause to be prepared and submit for our approval a description of any modifications to our specifications for a Franchised Business (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating materials) required for the development of a Franchised Business at the site leased or purchased for that purpose, provided that you may modify our specifications only to the extent required to comply with all applicable ordinances, building codes and permit requirements (with prior notification to and written approval from us);

5.4.2 obtain all required zoning permits, liquor licenses, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

5.4.3 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including but not limited to the specifications we have provided in writing, whether in the Manual or otherwise);

5.4.4 complete the construction and/or remodeling, equipment, fixture, furniture and sign installation and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;

5.4.5 obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and

5.4.6 otherwise complete development of and have the Franchised Business ready to open and commence the conduct of its business in accordance with Section 5.1 above.

5.5 *Use of the Premises.* You may use the Approved Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Approved Location without our prior written approval.

5.6 *Relocation*. You agree not to relocate the Franchised Business without our prior written consent. We will have the right to grant or to withhold our approval of any proposed location or relocation and, if our approval is granted, you understand that our approval will not be deemed to be our guarantee, representation, or assurance that your Franchised Business shall be profitable or successful at that location or elsewhere.

5.7 *Construction or Renovation*. In connection with any construction or renovation of the Franchised Business, and before starting any such construction or renovation, you agree to comply, at your expense, with all of the following requirements, which you must satisfy to our reasonable satisfaction:

5.7.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary plans and specifications for site improvement and construction of the Franchised Business based upon prototype design and image specifications we will furnish in the Manual (depending on whether your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). Our approval shall be limited to conformance with our standard image specifications and layout, and shall not relate to your obligations with respect to any federal, state and local laws, codes and regulations including, without limitation, the applicable provisions of the Americans with Disabilities Act (the "**ADA**") regarding the construction, design and operation of the Franchised Business, which subjects shall be your sole responsibility.

5.7.2 You agree to comply with all federal, state, and local laws, codes and regulations, including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Business. If you receive any complaint, claim, or other notice alleging a failure to comply with the ADA, you agree to provide us with a copy of that notice within five (5) days after you have received the notice.

5.7.3 In connection with any standard layout and equipment plans that we provide to you, you acknowledge that such specifications do not meet and are not meant to address the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the ADA and/or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Franchised Business, compliance with all of which shall be your responsibility and at your expense. In addition:

5.7.3.1 You agree to adapt, at your expense, the standard specifications to the Franchised Business location, subject to our approval, as provided in above in Section 5.7.1, which we will not unreasonably withhold, provided that such plans and specifications conform to our general criteria.

5.7.3.2 You agree to pay us a design review fee in the amount of Two Thousand Dollars ($2,000) to review your proposed drawings and plans for the Franchised Business; which amount will be due before we begin our review.

5.7.3.3 You understand and acknowledge that we have the right to modify the prototype architectural plans and specifications as we deem appropriate from time to time (however, we will not modify the prototype architectural plans and specifications for the Franchised Business

developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to you).

5.7.4 You will be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to your location. After having obtained such approvals and clearances, you must submit to us, for our prior written approval, final plans for construction based upon the preliminary plans and specifications. Our review and approval of plans shall be limited to review of such plans to assess compliance with our design standards for Restaurants, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of Manhattan Bagel Restaurants. We will not review nor shall any approval be deemed to include your compliance with federal, state, or local laws and regulations, including the ADA, and you acknowledge and agree that compliance with such laws is and shall be your sole responsibility. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent. Any such change made without our prior written permission shall constitute a material default under this Agreement and we may withhold our authorization to open the Franchised Business (or if the Franchised Business is already open and operational we may require you to close the Franchised Business) for business until the unauthorized change is rectified (or reversed) to our reasonable satisfaction.

5.7.5 You agree to obtain all permits and certifications required for the lawful construction and operation of the Franchised Business and certify in writing to us that all such permits and certifications have been obtained.

5.7.6 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.

5.7.7 You agree to obtain and maintain in force during the entire period of construction the insurance required under Section 15 below; and you must deliver to us such proof of such insurance as we may require.

5.7.8 You acknowledge that any site selection assistance or approval that we provide is not to be construed or interpreted as our guarantee of success for said location, nor shall any location that we recommend, or approval that we give, be deemed as our representation that the location is available or suitable for your use as a Franchised Business.

5.8 *Pre-Opening*. Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement (including, without limitation, those with respect to the Grand Opening Marketing Program), the Manual, and/or that we may otherwise specify in writing. Within ninety (90) days after the Franchised Business first opens for business, you must give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require. Additionally, before

opening the Franchised Business, and after any renovation, you must execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.

6 TRAINING AND PERSONNEL

6.1 *We Will Provide Training*. Before the opening of your Franchised Business, we will provide to you, and to your Highly Trained Personnel (defined below), the training programs that we designate. We will also provide the ongoing training that we periodically deem appropriate, at such places and times that we deem proper. Our training programs will be conducted in the English language. You will be responsible for the cost of instruction and materials, as provided in Section 6.2.9 below.

6.2 *Your Training and Personnel Obligations*. Before opening the Franchised Business, one full-time general manager (the "**Franchised Business Manager**"), one kitchen manager, and one assistant general manager must attend and successfully complete, to our satisfaction, the initial training program we offer. You (or, if you are an entity, your controlling principal who is also designated to serve as your general manager who we have previously approved to serve in that role (the "**Operating Partner**") may also attend the initial training program.

6.2.1 The term "**Highly Trained Personnel**" is agreed to mean: (a) you (or the Operating Partner); (b) the Franchised Business Manager; (c) the kitchen manager; and (d) the assistant general manager. The Franchised Business Manager must have at least three (3) years of experience working in a management capacity in a quick service restaurant or fast casual restaurant, and the Franchised Business Manager may serve as the Operating Partner.

6.2.2 You must send at least two (2) Highly Trained Personnel to the initial training program, and you send additional individuals at your election. The initial training program fee is One Thousand Six Hundred Dollars ($1,600) for each individual that will attend the initial training program, with payment to be made in full before initial training starts.

6.2.3 The Franchised Business must be under the active full-time management of either you or the Operating Partner who has successfully completed (to our satisfaction) our initial training program. For the purpose of this Section 6.2, the Operating Partner must be a person who has at least a ten percent (10%) ownership interest in Franchisee, and who has executed the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.

6.2.4 If any of the Highly Trained Personnel cease active management or employment at the Franchised Business, or if we disapprove of any of the Highly Trained Personnel, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program within thirty (30) days after the Highly Trained Person ended his/her full-time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction,

as soon as it is practical to do so. You must pay us a training fee in the amount of One Thousand Six Hundred Dollars ($1,600) for each individual to be trained, with payment to be made in full before the replacement training starts, plus all other expenses we incur in connection with such training (including the costs of transportation, lodging, and meals).

6.2.5 Your Highly Trained Personnel may also be required to attend such refresher courses, seminars, and other training programs as we may reasonably specify from time to time.

6.2.6 We will have the right to require that your trainees execute and deliver to us a personal covenant of confidentiality and non-competition in substantially the form appended hereto as Exhibit H.

6.2.7 You and your staff must, at all times, cooperate with us and with our representatives.

6.2.8 We have the right to require that you cover your trainees under insurance policies, as specified below in this Agreement, at all times including but not limited to the training program.

6.2.9 You will bear the cost of all training and must pay our current initial training fee, noted above, for each individual to be trained. You must also bear all expenses incurred in connection with any training (including without limitation the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance).

6.2.10 You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses.

7 PRODUCT AND SUPPLY

7.1 *Supplies*. You agree to buy all Products, ingredients, supplies, materials, and other products used or offered for sale at the Franchised Business only from suppliers that we have approved in writing (and whom we have not subsequently disapproved). In determining whether we will approve any particular supplier, we will consider various factors, including but not limited to: (a) whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; (b) whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; (c) whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and (d) whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae). For the purpose of this Agreement, the term "**supplier**" includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You also recognize

and agree that we have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular item (including but not limited to distribution of products to Restaurants, soft drinks, and similar items), which may be us or one of our affiliates.

7.1.1 Notwithstanding anything to the contrary in this Agreement, you agree to buy all of your requirements for any Proprietary Items only from us or from our designee(s), as provided in Section 7.2 below (possibly through one or more distributors that we designate in writing). We have the right, but not the obligation, to introduce additional Proprietary Items periodically.

7.1.2 We have the right (directly, through our affiliates, and/or our designees) to establish food commissaries and distribution facilities, and we have the right to designate these as approved or required manufacturers, suppliers or distributors.

7.1.3 If you want to buy any Products or any items (except for Proprietary Items) from an unapproved supplier, you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including but not limited to payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.

7.1.4 Nothing in the other provisions of this Agreement shall be construed to require us to approve any particular supplier, nor to require that we make available to prospective suppliers, standards and specifications for formulas, which we have the right to deem confidential.

7.1.5 Notwithstanding anything to the contrary contained in this Agreement, you acknowledge and agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Restaurants. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Products, Proprietary Items, and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Restaurants. We have the right to approve or disapprove of the suppliers who may be permitted to sell Products to you.

7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Products, Proprietary Items, and other goods and services. These Allowances include those based on System-wide purchases of beverages, food, paper goods, and other items. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

7.2 *Proprietary Items*. You agree that the Proprietary Items we may specify for sale at the Franchised Business are manufactured in accordance with our secret blends, standards, and specifications, and are Proprietary Items of ours and/or our affiliates. In order to maintain the high standards of quality, taste, and uniformity associated with any Proprietary Items sold under the System, you agree to purchase Proprietary Items only from us or from our designee(s), and not to offer or sell any items that are similar to (but not the same as) Proprietary Items at or from the Franchised Business. In connection with the handling, storage, transport and delivery of any Proprietary Items that you buy from us, our affiliates or designee(s), you agree that any action (or inaction) by a third party (e.g., an independent carrier) in connection with the handling, storage, transport and delivery of the Proprietary Items shall not be attributable to us, nor constitute negligence on our part.

7.3 *Employee Attire and Personal Appearance*. Your employees must comply with such dress code or standards as we may require, which may include use of branded (or other "**uniform**") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you and your employees comply with personal appearance standards (including but not limited to dress code, shoes, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, you agree to all of the following:

8.1 *Importance of Following Standards*. You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other franchisees in order to develop and maintain high operating standards, to increase the demand for the Products, Proprietary Items, and services sold by all franchisees, and to protect our reputation and goodwill.

8.2 *Opening*. In connection with the opening of the Franchised Business:

8.2.1 You agree to conduct, at your expense, such grand opening promotional and marketing activities as we may require, as set forth in Section 13 below.

8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. You agree to give us written notice at least fourteen (14) days before the

date on which you propose to first open the Franchised Business for business. We reserve the right to have our representative(s) present at the opening of the Franchised Business, and if we so require, you shall not open the Franchised Business without the on-site presence of the representative(s) we select; however, we agree not to unreasonably delay the opening of the Franchised Business.

8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including, but not limited, to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.

8.2.4 You agree not to open the Franchised Business until the Highly Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's customers.

8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 *Health Standards*. You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You must furnish to us, within five (5) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.

8.4 *Use of the Premises*.

8.4.1 You may use the Franchised Business premises only for the operation of the Franchised Business; and you also agree not to use or permit the Franchised Business premises to be used for any other purpose or activity at any time. As used in this Agreement, the term "premises" include the grounds surrounding the Approved Location for the Franchised Business.

8.4.2 You agree to keep the Franchised Business open and in normal operation for the hours and days that we may periodically specify in the Manual or as we may otherwise approve in writing.

8.5 *Franchised Business Condition and Maintenance*. You agree that you will, at all times, maintain the Franchised Business in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without our prior written consent) as may be required for that purpose (including but not limited to the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require). You also agree to obtain maintenance services from qualified vendors for all major items of equipment used in the Franchised Business and maintain those service agreements at all times.

8.6 *Remodeling*. You agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Restaurants, including but not limited to remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, "**Facilities Remodeling**"). In this regard, the parties agree that:

8.6.1 You will not have to engage in Facilities Remodeling more than once every five (5) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Facilities Remodeling more often if Facilities Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and

8.6.2 You will have six (6) months after you receive our written notice within which to complete Facilities Remodeling.

8.7 *Staffing*. You agree to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including at least one (1) manager on duty at all times, and to take such steps as are necessary to ensure that your employees preserve good customer relations and comply with such dress code as we may prescribe.

8.8 To insure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Manual or otherwise in writing. In this regard, you agree to do all of the following:

8.8.1 You agree to maintain in sufficient supply, and to use and/or sell at all times only the Products, ingredients, materials, supplies, and paper goods that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.

8.8.2 You agree: (a) to sell or offer for sale only those Products and services that we have approved in writing for you to sell at your Franchised Business; (b) to sell or offer for sale all those Products, utilizing the ingredients and employing the preparation standards and techniques that we specify in writing; (c) not to deviate from our standards and specifications, including manner of preparation of Products; (d) to stop selling and offering for sale any Products or services that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and (e) that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation shall become our property.

8.8.3 You agree to permit us, or our agents, at any reasonable time, to remove samples of Products, without payment, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether those 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 we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.

8.8.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify.

8.8.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.

8.8.6 You agree not to install or permit anyone else to install any vending machine, game or coin-operated (or electronic counterpart) device without our prior written consent to do so.

8.8.7 You agree not to offer mobile carts, bulk orders, or call-ahead orders. You agree not to offer catering or delivery services except as permitted under Section 1.5 above.

8.8.8 You agree to fully and faithfully comply with all laws and regulations applicable to your Franchised Business. You agree that you will immediately suspend operation of (and close) the Franchised Business if: (a) any Products sold at the Franchised Business appears to have been adulterated or otherwise deviate from our standards for Products; (b) any Products sold at the Franchised Business fail to comply with applicable laws or regulations; and/or (c) you fail to maintain the Products, Franchised Business premises, equipment, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also destroy all contaminated or adulterated products, eliminate the source of those products, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises, and we have determined that you have corrected the condition and that all Products sold at the Franchised Business comply with our standards.

8.9 *Use of the Marks*. You will require all marketing and promotional materials, signs, decorations, merchandise, paper and plastic (for example, disposable) goods, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos in the form, color, location, and manner that we have then-prescribed.

8.10 *If You Are an Entity:*

8.10.1 *Corporate Franchisee*. If you are a corporation, then you agree to: (a) confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) maintain stop transfer instructions on your records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; (c) not issue any voting securities or securities

convertible into voting securities; and (d) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP Franchisee*. If you are a partnership or a limited liability partnership (LLP), then you agree to: (a) confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all our your general and limited partners; and (d) consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC Franchisee*. If you are a limited liability company (LLC), then you agree to: (a) confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and (d) maintain stop transfer instructions on your records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

8.10.4 *Guarantees*. Each present and future: (a) shareholder of a corporate Franchisee; (b) member of a limited liability company Franchisee; (c) partner of a partnership Franchisee; and/or (d) partner of a limited liability partnership Franchisee; must jointly and severally guarantee your performance of each and every provision of this Agreement by executing the Guarantee, Indemnification, And Acknowledgment in the form attached to this Agreement as Exhibit B.

8.11 *Quality-Control and Guest Survey Programs.* We may, from time to time, designate an independent evaluation service to conduct a “mystery shopper,” “guest survey,” and/or similar type, quality-control and evaluation program with respect to Restaurants operating in the System. You must participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, you must immediately implement any remedial actions we require and pay us all expenses we incur to have the evaluation service re-evaluate the Franchised Business (as well as all expenses we may have incurred to inspect the Franchised Business thereafter) together with any costs or incidental expenses that we incur.

8.12 *Prices*. You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the menu items, products and services offered and sold under this Agreement. With respect to the sale of all such menu items, products, or services, you will have sole discretion as to the prices to be charged to customers; provided, however, that we will have the right to set maximum or minimum prices on such menu items, products, and services (subject to applicable law). If we impose a

maximum price on a particular menu item, product, or service, then you may charge any price for that menu item, product, or service, up to and including the maximum price we have set. If we impose a minimum price on a particular menu item, product, or service, then you may charge any price for that menu item, product, or service, down to and including the minimum price that we have set.

8.13 *Environmental Matters*. We are committed to working to attain optimal performance of Restaurants with respect to environmental, sustainability, and energy performance. We each recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Manual, and you agree to abide by those standards.

8.14 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Restaurants. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in all bar, food service, and entertainment businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without making payment to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

9 PROPRIETARY MARKS

9.1 *Our Representations*. We represent to you that we own (or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.

9.2 *Your Agreement*. With respect to your use of the Proprietary Marks, you agree that:

9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.

9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).

9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name "Manhattan Bagel" without prefix or suffix.

9.2.4 During the term of this Agreement and any renewal of this Agreement, you will identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as we may designate in writing.

9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.

9.2.7 You agree not to use the Proprietary Marks as part of your corporate or other legal name, or as part of any e-mail address, domain name, social networking site page, or other identification of Franchisee in any electronic medium.

9.2.8 You agree to execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You acknowledge that we will have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

9.2.9.2 If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof. If you have used the Proprietary Marks but not in accordance with this Agreement, then we will still defend you, but at your expense, against such third party claims, suits, or demands.

9.2.9.3 Except to the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things, except that you will bear the salary

costs of your employees, and we will bear the costs of any judgment or settlement.

9.2.9.4 To the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, then you agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

9.2.9.5 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including but not limited to becoming a nominal party to any legal action).

9.3 *Your Acknowledgements*. You expressly understand and acknowledge that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).

9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6 The right and license of the Proprietary Marks that we have granted to you under this Agreement is non-exclusive, and we therefore have the right, among other things:

9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and services;

9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses

we may have already granted to existing franchisees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks*. We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different Proprietary Marks will be beneficial to the System. In such circumstances, your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL OPERATING MANUALS

10.1 *You Agree to Abide by the Manual*. In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Manual. We will lend to you (or permit you to have access to) one (1) copy of our Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.

10.2 *Format of the Manual*. We will have the right to provide the Manual in any format we determine is appropriate (including but not limited to paper format and/or by making some or all of the Manual available to you in electronic form, such as through an internet website or an extranet). If at any time we choose to provide the Manual electronically, you agree to immediately return to us any and all physical copies of the Manual that we have previously provided to you.

10.3 *We Own the Manual*. The Manual shall at all times remain our sole property and you agree to promptly return the Manual when this Agreement expires or if it is terminated.

10.4 *Confidentiality and Use of the Manual*. The Manual contains our proprietary information and you agree to keep the Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Manual will be available at the Franchised Business premises in a current and up-to-date manner. You agree not to make any unauthorized use, disclosure or duplication of any portion of the Manual. Whenever the Manual is not in use by authorized personnel, you agree to maintain the Manual in a locked receptacle at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Manual) access to the key or lock combination of that receptacle.

10.5 *You Agree to Treat Manual as Confidential*. You agree that at all times, you will treat the Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise

reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

10.6 *Which Copy of the Manual Controls*. You agree to keep your copy of the Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Manual are kept current and up to date. You also agree that if there is any dispute as to the contents of the Manual, the terms of the master copy of the Manual that we maintain in our home office will be controlling. Access to any electronic version of the Manual shall also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.

10.7 *Revisions to the Manual*. We have the right to revise the contents of the Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Manual and to comply with each new or changed standard.

10.8 *Modifications to the System*. You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques, as if they were part of this Agreement at when we signed this Agreement; provided the financial burden placed upon you is not substantial). You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 *Confidentiality*.

11.1.1 You shall not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You may divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.

11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential shall be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by others.

11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants shall be on a form that we provide, which form shall, among other things, designate us as a third party beneficiary of such covenants with the independent right to enforce them.

11.1.4 As used in this Agreement, the term "**Confidential Information**" includes, without limitation, our business concepts and plans, recipes, food preparation methods, equipment, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Manuals, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made prior to or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach*. You acknowledge that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, without limitation, reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records*.

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least three (3) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed from time to time in the Manual or otherwise in writing, including but not limited to: (a) daily cash reports; (b) cash receipts journal and general ledger; (c) cash disbursements and weekly payroll journal and schedule; (d) monthly bank statements, daily deposit slips and cancelled checks; (e) all tax returns; (f) supplier's invoices (paid and unpaid); (g) dated daily and weekly cash register journals and POS reports in accordance with our standards; (h) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; (***i***) operational schedules and weekly inventory records; (j) records of promotion and coupon redemption; and (k) such other records as we may from time to time request.

12.1.3 We have the right to specify a common chart of accounts, and, if we do so, you agree to use that chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us.

12.2 *Financial Statements*.

12.2.1 You agree to provide us, at your expense, and in a format that we have specified, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

12.2.2 In addition, no later than the fifteenth (15th) day after each fiscal quarter (or, if we elect, each fiscal month or other periodic time period) during the term of this Agreement after the opening of the Franchised Business, you will submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): (a) a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited) for the Franchised Business; (b) reports of those income and expense items of the Franchised Business that we periodically specify for use in any revenue, earnings, and/or cost summary we chooses to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); and (c) copies of all state sales tax returns for the Franchised Business. You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2.

12.3 *Additional Information*. You also agree to submit to us (in addition to the Sales Reports required pursuant to Section 4.2 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified from time to time in the Manual or otherwise in writing, including but not limited to: (a) information in electronic format; (b) restated in accordance with our financial reporting periods; (c) consistent with our then-current financial reporting periods and accounting practices and standards; and/or (d) as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 shall be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.

12.4 *PCI Compliance and Credit Cards*. With respect to your acceptance and processing of customer payments by credit and debit cards, you agree to do all of the following:

12.4.1 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Credit Card Vendors**") that we may periodically designate as mandatory. The term "Credit Card Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet"). The

obligations specified in this Section include your agreement to pay the applicable charges imposed by the Credit Card Vendors for participation in, and transactions conducted through, those methods.

12.4.2 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.

12.4.3 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.

12.4.4 You agree to comply with all of our policies regarding acceptance of payment by credit and/or debit cards, including for example minimum purchase requirements for a customer's use of a credit card (we may set these requirements in the Manual).

12.4.5 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.

12.4.6 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

12.5 *Gift Cards and Incentive Programs*. You agree to offer for sale, and to honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including but not limited to loyalty programs that we or a third party vendor operate, as well as mobile payment applications); and you agree to do all of those things in compliance with our standards and procedures for such programs. In order to participate, you agree that you will, among other things: purchase software, hardware, and other items needed to sell and process gift cards, and to contact the gift card supplier or processing services; and pay the applicable charges for participation in, and transactions conducted through, these gift cards and other incentive or convenience programs.

12.6 *Our Right to Inspect Your Books and Records*. We shall have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. 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 of one and one-half percent (1.5%) per month (but not more than the maximum rate permitted by law, if any). If we conduct an inspection because you did not timely provide Sales Reports to us, or if an inspection discloses that you understated your sales, in any report to us, by two percent (2%) or more, then you agree (in addition to paying us the

overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connected with the inspection (including but not limited to travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies shall be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

12.7 *Inspections*. In addition to the provisions of Section 12.4 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection.

13 MARKETING

13.1 *Marketing Contribution*. For each Month during the term of this Agreement, you agree to contribute an amount equal to five percent (5.0%) of your Franchised Business' Gross Sales during the preceding Month (the "**Marketing Contribution**"), allocated as provided in Section 13.2 below. You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.4 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum of Seven Thousand Five Hundred Dollars ($7,500) to conduct the Grand Opening Marketing Program described in Section 13.8 below.

13.2 *Allocation and Collection*.

13.2.1 We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: (a) our system-wide marketing fund (the "**Systemwide Marketing Fund**"), once it has been established; (b) any Market Co-op Fund established for your area, as provided in Section 13.4 below (but we are not required to establish a Market Co-op Fund for your area); and (c) the local store marketing ("**LSM**") fund.

13.2.2 We have the right to periodically make changes to the allocation of the Marketing Contribution as specified in Section 13.2.2 among those funds and/or a Market Coop Fund, by giving you written notice of the change, and those changes will take effect at the end of that month.

13.2.3 We reserve the right to collect and hold LSM funds, and seek your guidance on how LSM funds are to be spent; however, if you do not provide timely guidance, we reserve the right to direct the expenditure of LSM funds.

13.2.4 No part of the Marketing Contribution (whether deposited in Marketing Fund, a Market Co-Op Fund, or as LSM funds) shall be subject to refund or repayment under any circumstances.

13.3 *Systemwide Marketing Fund*. Once it is established, we (or our designee) will maintain and administer the Systemwide Marketing Fund as follows:

13.3.1 We or our designee shall have the right to direct all marketing programs, as well as all aspects thereof, including, without limitation, the concepts, materials, and media used in such programs and the placement and allocation thereof. You acknowledge and agree that the Systemwide Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Systemwide Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Systemwide Marketing Fund.

13.3.2 The Systemwide Marketing Fund, all contributions to that fund, and any of that fund's earnings, shall be used exclusively (except as otherwise provided in this Section 13.3) to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including but not limited to the costs of preparing and conducting: media advertising campaigns; marketing via direct mail and other print and electronic media; marketing surveys and other public relations activities; employing marketing personnel, as well as advertising and/or public relations agencies to assist therein; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Restaurants operated under the System). The Systemwide Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, so long as we have given our prior written approval, which products, services, or improvements; and we will have the right to determine what methods to use in order to promote general public awareness of, and favorable support for, the System.

13.3.3 You agree to make your Marketing Contribution to the Systemwide Marketing Fund in the manner specified in Section 4.4 above. We will maintain all sums in the Systemwide Marketing Fund in an account separate from our other monies. We will have the right to charge the Systemwide Marketing Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Systemwide Marketing Fund and marketing programs for franchisees and the System (including but not limited to costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs). The Systemwide Marketing Fund and its earnings shall not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Systemwide Marketing Fund.

13.3.4 No part of your Marketing Contribution (whether deposited in the Systemwide Marketing Fund, a Market Co-Op Fund, or as LSM funds) shall be deemed an asset of ours, nor a trust, and we do not assume any fiduciary obligation to you

for maintaining, directing or administering said funds or for any other reason. We will prepare a statement of the operations of the Marketing Fund, Market Co-Op Funds, and LSM funds that you have deposited, as shown on our books, annually, and make that report available to you.

13.3.5 Although the Systemwide Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Systemwide Marketing Fund. The Systemwide Marketing Fund shall not be terminated, however, until all monies in the Systemwide Marketing Fund have been expended for marketing and/or promotional purposes.

13.4 *Market Co-op Fund*. We will have the right to designate any geographical area for purposes of establishing a cooperative market marketing fund ("**Market Co-op Fund**"). If a Market Co-op Fund for the geographic area in which the Franchised Business is located has been established at the time you start to operate under this Agreement, you will immediately become a member of such Market Co-op Fund. If a Market Co-op Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you will become a member of that Market Co-op Fund within thirty (30) days after the date on which the Market Co-op Fund commences operation. (However, you will not be required under any circumstances to be a member of more than one Market Co-op Fund.) The following provisions shall apply to each Market Co-op Fund:

13.4.1 Each Market Co-op Fund shall be organized (including but not limited to bylaws and other organic documents) and governed in a form and manner, and shall commence operations on a date, which we must have approved in advance in writing. The activities carried on by each Market Co-op Fund shall be decided by a majority vote of its members (unless we specify otherwise in writing). Any Restaurants that we operate in the region shall have the same voting rights as Restaurants owned by franchisees. Each Franchised Business owner shall be entitled to cast one (1) vote for each Franchised Business owned.

13.4.2 Each Market Co-op Fund shall be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in local store marketing.

13.4.3 No advertising, marketing, or promotional plans or materials may be used by a Market Co-op Fund or furnished to its members without our prior written approval as specified in Section 13.7 below.

13.4.4 You agree to make your required contribution to a Market Co-op Fund pursuant to the allocation that we specify, as described in Section 13.2 above.

13.4.5 Although once established, each Market Co-op Fund is intended to be of perpetual duration, we maintain the right to terminate any Market Co-op Fund. A Market Co-op Fund shall not be terminated, however, until all monies in that Market Co-op Fund have been expended for marketing and/or promotional purposes.

13.5 *Standards*. All of your local store marketing must: (a) be in the media, and of the type and format, that we may approve; (b) be conducted in a dignified manner; and (c) conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.7 below.

13.6 *Materials Available for Purchase*. We will make available to you from time to time, at your expense, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local store marketing.

13.7 *Our Review and Right to Approve All Proposed Marketing*. For all proposed advertising, marketing, and promotional plans, you (or the Market Co-op Fund, where applicable) shall submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Market Co-op Fund) have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You acknowledge and agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.

13.8 *Grand Opening Marketing Program*. In addition to and not instead of the Marketing Contribution, you agree to spend a minimum of Seven Thousand Five Hundred Dollars ($7,500) for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program shall be executed and completed no later than sixty (60) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.7 above. For the purpose of this Agreement, the Grand Opening Marketing Program shall be considered local store marketing, as provided under Section 13.10 below. We reserve the right to require you to deposit the funds required under this Section 13.8 with us, for us to distribute as may be necessary in order to conduct the Grand Opening Marketing Program.

13.9 *Additional Marketing Expenditure Encouraged*. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local store marketing of a local nature, which will focus on disseminating marketing directly related to your Franchised Business.

13.10 *Local Store Marketing*. We will have the right to require you to independently spend all or a portion of the Marketing Contribution on local store marketing within the Protected Territory (to the extent that we do not require it to be deposited with us as specified above in Section 13.2.4). At our request, you must submit appropriate documentation to verify compliance with any local marketing and advertising spending obligations. We have the right to periodically designate in the Manual the types of expenditures that will or will not count toward your minimum spending requirement. You must advertise the

Franchised Business in all major directories in your Protected Territory, including local online directories, as prescribed in the Manual. If you advertise jointly with other franchisees, your share of the cost will count toward your local spending requirement under this Section 13.10. As used in this Agreement, the term "**local store marketing**" shall consist only of the direct costs of purchasing and producing marketing materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that local store marketing shall not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

13.10.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons;

13.10.2 Political donations;

13.10.3 The value of discounts provided to consumers; and/or

13.10.4 The cost of food, beverage, and merchandise items.

13.11 *Rebates*. You acknowledge that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.

13.12 *Considerations As to Charitable Efforts*. You acknowledge and agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions that are, or which may be perceived by the public to be, taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.

14 TECHNOLOGY

14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:

14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by,

between, or among Restaurants, and in accordance with our standards, including without limitation: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us; (b) POS Systems (defined in Section 14.7 below); (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices (e.g., digital menu boards); (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; and (g) front-of-the-house WiFi and other internet service for customers (collectively, all of the above are referred to as the "**Computer System**").

14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: ***(a)*** computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which you must install; ***(b)*** updates, supplements, modifications, or enhancements to the Required Software, which you must install; ***(c)*** the tangible media upon which you must record data; and ***(d)*** the database file structure of your Computer System. If we require you to use any of all of the above items, then you agree that you will do so.

14.1.3 You must install and use the Computer System and Required Software at your sole expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install and continue to use the Required Software, hardware, and other elements of the Computer System.

14.1.4 You must implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**").

14.1.5 You must comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You must also afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.

14.1.6 We reserve the right to have you bring your Computer System and Required Software into conformity with our then-current standards for new Restaurants; provided, however that (a) we will not require you to complete any Major Upgrade (as defined below) earlier than one (1) year after the completion of the original installation of the Computer System and/or Required Software (installation nearest to the date of this Agreement), and (b) we will afford you six (6) months after the date of our written notice to you requiring the Major Upgrade by which to complete the Major Upgrade. For the purposes of this Agreement, "**Major Upgrade**" shall mean any requirement under this Section 14.1.6 which costs you more than Five Thousand Dollars ($5,000). There are no contractual limits on the frequency or cost of your obligations to obtain, maintain or license such systems, except as expressly set forth above in this Section 14.1.6. If we so elect, we reserve the right to provide technology support to you and to charge you a fee for such services.

14.1.7 You must pay the system support fee in the amount that we periodically specify, as described in Section 4.9 above.

14.2 *Data*.

14.2.1 All data you collect, create, provide, or otherwise develop on your Computer System, whether or not uploaded to our system from your system, and/or downloaded from your system to our system, is and will be owned exclusively by us, and we will have the right to access, download, and use such data in any manner that we deem appropriate without compensation to you.

14.2.2 All other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including but not limited to customer and transaction data), is and will be owned exclusively by us during the term of, and following termination or expiration of, this Agreement.

14.2.3 You agree to transfer to us all data that we do not automatically collect upon our request.

14.2.4 We hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and solely for your use in connection with operating the Franchised Business under the System. You acknowledge and agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.

14.2.5 Upon termination, expiration, and/or transfer of this Agreement and/or the Franchised Business, you agree to provide us with all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request.

14.3 *Data Requirements and Usage*. We may periodically specify in the Manual or otherwise in writing the information that you must collect and maintain on the Computer System installed at the Franchised Business, and you must provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to or derived from the Franchised Business (including, without limitation, data pertaining to or otherwise about Franchised Business customers) is and shall be our exclusive property, and we hereby grant a royalty-free non-exclusive license to you to use such data during the term of this Agreement.

14.3.1 You must abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").

14.3.2 You must comply with our standards and policies pertaining to the privacy of consumer, employee, and transactional information. If there is a conflict between our standards and policies and Privacy Laws, you must: ***(a)*** comply with the requirements of Privacy Laws; ***(b)*** immediately give us written notice of such conflict; and ***(c)*** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.

14.3.3 You must not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.

14.4 *Extranet*. You must comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). If we establish an Extranet, then you must comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of your Franchised Business. The Extranet may include, without limitation, the Manual, training other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You must purchase and maintain such computer software and hardware (including but not limited to telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.

14.5 *Online Ordering System*. You agree to participate in our online ordering system, on such terms and conditions that we may specify in the Manual, and to pay the fees for such online ordering system that we and/or our vendor reasonably specify.

14.6 *No Separate Online Sites*. Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish an Online Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Online Site. The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Instagram etc.), blogs, vlogs, applications to be installed on mobile devices (e.g., iPad or Droid apps), and other applications, etc. However, if we give you our prior written consent to have a separate Online Site (which we are not obligated to approve), then each of the following provisions shall apply:

14.6.1 You must not establish or use any Online Site without our prior written approval.

14.6.2 Any Online site owned or maintained by or for your benefit will be deemed "marketing" under this Agreement, and will be subject to (among other things) our approval under Section 13.7 above.

14.6.3 You will not establish or use any Online Site without our prior written approval.

14.6.4 Before establishing any Online Site, you must submit to us, for our prior written approval, a sample of the proposed Online Site domain name, format, visible content (including, without limitation, proposed screen shots, links, and other content), and non-visible content (including, without limitation, meta tags,

cookies, and other electronic tags) in the form and manner we may reasonably require.

14.6.5 You may not use or modify such Online Site without our prior written approval as to such proposed use or modification.

14.6.6 In addition to any other applicable requirements, you must comply with the standards and specifications for Online Sites that we may periodically prescribe in the Manual or otherwise in writing (including, but not limited to, requirements pertaining to designating us as the sole administrator or co-administrator of the Online Site).

14.6.7 If we require, you must establish such hyperlinks to our Online Site and others as we may request in writing.

14.6.8 If we require you to do so, you must make weekly or other periodic updates to our Online Site to reflect information regarding specials and other promotions at your Franchised Business.

14.6.9 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.

14.7 *POS Systems*. You must record all sales on computer-based point of sale systems we approve or on such other types of cash registers as we may designate in the Manual or otherwise in writing ("**POS Systems**"), which shall be deemed part of your Computer System. You must utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you must record all Gross Revenues and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you must enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You must at all times maintain a continuous high-speed cabled (not wireless) connection to the Internet to send and receive POS data to us. Wireless connections to the Internet are not currently authorized or supported for the POS System.

14.8 *Electronic Identifiers; E-Mail*.

14.8.1 You agree not to use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address, domain name, social network or social media name or address, and/or any other identification of you and/or your business in any electronic medium.

14.8.2 You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic media without first obtaining our written consent as to: ***(a)*** the content of such electronic

advertisements or solicitations; and ***(b)*** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, but not limited to, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003") and the Federal Telephone Consumer Protection Act. (As used in this Agreement, the term "**electronic communication**" is agreed to include all methods for sending communication electronically, whether or not currently invented or used, including without limitation e-mails, text messages, and faxes.)

14.9 *Outsourcing*. You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.

14.10 *Telephone Service*. You agree to use the telephone service for the Store that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business. You also agree to sign the power of attorney with respect to your telephone service and telephone numbers that is attached as Exhibit I.

14.11 *Changes*. You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards we establish as this Section 14 were periodically revised by us for that purpose.

14.12 *Electronic Communication – Including E-Mail, Fax, and Texts*. You acknowledge and agree that exchanging information with us by electronic media is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of e-mail and faxes for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "**Official Senders**") to you during the term of this Agreement.

14.12.1 In order to implement the terms of this Section 14.12, you agree that: ***(a)*** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; ***(b)*** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a

pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and ***(c)*** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.12.2 The consent given in this Section 14.12 shall not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.12.3 We may permit or require you to use an e-mail address (that is, one that will contain a Top Level Domain Name that we designate, such as jane.smith@MBC.com or "john.jones@MBCfranchisee.com) (the "**MBC e-mail address**") in connection with the operation of the Franchised Business. You will be required to sign our current form of E-Mail Authorization Letter and Extranet Agreement, appended to this Agreement as Exhibits G and H, for this purpose. If we assign you an MBC e-mail address, then you agree that you (and your employees) will use only that e-mail account for all official business associated with your Franchised Business.

15 INSURANCE

15.1 *Required Insurance Coverage*. Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies shall be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and shall include, at a minimum (except that we may reasonably specify additional coverages and higher policy limits for all franchisees from time to time in the Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

15.1.1 Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, liquor liability, and personal and advertising injury, with a combined bodily injury and property damage limit of not less than Two Million Dollars ($2,000,000) in the aggregate and One Million Dollars ($1,000,000) per occurrence.

15.1.2 Statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars ($1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Franchised Business is located. Such policy shall contain an "Alternate Employer Endorsement" including us as the "alternate employer."

15.1.3 Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (including, without limitation, comprehensive general liability (including liquor liability), workers' compensation, and property insurance) to not less than Five Million Dollars ($5,000,000) total limit of liability. Such umbrella liability will provide at a minimum those coverages and endorsements required in the underlying policies described in this Section 15.1.

15.1.4 Food Borne Illness, Accidental & Malicious Contamination coverage, with minimum coverage of at least One Million Dollars ($1,000,000).

15.1.5 Property insurance providing coverage for direct physical loss or damage to real and personal property for all-risk perils, including the perils of flood and earthquake. Appropriate coverage shall also be provided for boiler and machinery exposures and business interruption/extra expense exposures. The policy or policies shall value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance shall not be less than ninety percent (90%) of the full replacement value of the Franchised Business, its furniture, fixtures, equipment, and stock (real and personal property). Any deductibles contained in such policy shall be subject to review and our approval.

15.1.6 Products liability insurance in an amount not less than Two Million Dollars ($2,000,000), which policy shall be considered primary.

15.1.7 Business interruption insurance to cover at least your obligations with respect to leases, royalties, marketing fund obligations, fixed costs, and other recurring expenses for a period of not less than six (6) months following an interruption to the Franchised Business' operation.

15.1.8 Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than One Thousand Dollars ($1,000) and naming us as loss payee.

15.1.9 Automobile liability insurance, including coverage of vehicles not owned by you, but used by employees in connection with the Franchised Business, with a combination of primary and excess limits of not less than One Million Dollars ($1,000,000).

15.1.10 Commercial blanket bond in the amount of $100,000.

15.1.11 Any other insurance coverage that is required by federal, state, or municipal law.

15.2 *Endorsements*. All policies listed in Section 15.1 above (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manual. All policies shall waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).

15.3 *Notices to us*. In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to us in the manner provided in Section 24 below.

15.4 *Construction Coverages*. In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you must require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.

15.5 *Other Insurance Does Not Impact your Obligation*. Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that we may maintain, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 shall not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including, but not limited to, other Restaurants operated by you (and/or your affiliates) under the System.

15.6 *Additional Named Insured*. All public liability and property damage policies shall list us as an additional named insured, and shall also contain a provision that we, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees.

15.7 *Certificates of Insurance*. At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy, you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates shall expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

15.8 *Proof of Coverage*. In addition to your obligations under Section 15.7 above, on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date, you agree to provide us with proof of insurance evidencing the proper coverage with limits not less than those required under this Agreement, in such form as we may reasonably require.

15.9 *Changes*. We will have the right, from time to time, to make such changes in minimum policy limits and endorsements as we may determine are necessary or appropriate; provided, however, all changes shall apply to all of our franchisees who are similarly situated.

16 TRANSFER OF INTEREST

16.1 *By Us*. We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.

16.2 *Your Principals*. If you are an entity, then each party that directly or indirectly holds any interest whatsoever in you (each, a "**Principal**"), and the interest that each Principal directly or indirectly holds in you, is identified in Exhibit C to this Agreement. You represent and warrant to us that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, or their respective interests in you, to change without complying with this Agreement. We will have the right to designate any person or entity which owns a direct or indirect interest in you as a Principal, and Exhibit C shall be so amended automatically upon written notice thereof to you.

16.3 *Principals*. We will have a continuing right to designate as a Principal any party that owns a direct or indirect interest in you.

16.4 *By You*. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

16.4.1 Without our prior written consent, neither you (nor any successor to any part of your interest in this Agreement) nor any Principal, nor any other party that directly or indirectly owns any interest in this Agreement, in you, and/or in the Franchised Business, may sell, assign, transfer, convey, pledge, encumber, merge, create a security interest in, and/or give away (collectively, "**transfer**") any direct or indirect interest in: (a) this Agreement; (b) you; (c) any or all of your rights or obligations under this Agreement; and/or (d) all or substantially all of the assets of the Franchised Business. Any purported assignment or transfer not having our prior written consent as required by this Section 16 shall be null and void and shall also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.

16.4.2 If you are an entity (other than a partnership or a limited liability partnership), then you agree that: (a) without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and (b) the recipient of any such securities shall become a Principal under this Agreement, if we designate them as such.

16.4.3 If you are a partnership or limited liability partnership, then the partners of that partnership shall not, without our prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership shall automatically be deemed to be a Principal.

16.4.4 Principals shall not, without our prior written consent, transfer, pledge or otherwise encumber their interest in you.

16.5 *Transfer Conditions*. We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules.

16.5.2 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to us

16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.

16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and marketing fee.

16.5.5 If we so request, then you, at your expense, must conduct Facilities Remodeling to conform to the then-current standards and specifications of new Restaurants then-being established in the System, and you must complete the upgrading and other requirements specified above in Section 8.6 within the time period that we specify;.

16.5.6 You must pay in full all of your monetary obligations to us and our affiliates, whether under this Agreement or otherwise, and you must not be otherwise in default of any of your obligations under this Agreement (including but not limited to your reporting obligations).

16.5.7 The transferor shall remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments that we reasonably request to evidence such liability.

16.5.8 A Principal of the transferee whom we designate to be a new Operating Partner, and those of the transferee's Highly Trained Personnel as we may require, shall successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee shall be responsible for the salary and all expenses of the person(s) that attend training).

16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer in the amount of Twelve Thousand Five Hundred Dollars ($12,500) or fifty percent (50%) of our then-current initial franchise fee, whichever is more; however:

16.5.9.1 If you and one or more affiliates are transferring more than one franchise agreement to the same buyer, as part of the same transaction, then our transfer fee for all such transfers will be capped at $50,000 or our reasonable out-of-pocket costs, if they are higher.

16.5.9.2 If the transferee is a spouse, son, or daughter of the transferor and the transfer is for estate-planning purposes, we will not require the payment of a transfer fee, but the transferor must reimburse us for our out-of-pocket expenses (including attorneys' fees) we incur in connection with reviewing and approving the transfer.

16.5.9.3 If the transferee is upon death or incapacity as provided in Section 16.7 below, then we will not require the payment of a transfer fee, but the transferor must reimburse us for our out-of-pocket expenses (including attorneys' fees) we incur in connection with reviewing and approving the transfer.

16.5.10 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Sections 19.3 – 19.5 below.

16.6 *Right of First Refusal*. If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following shall apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) shall promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option,

exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing shall constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6, that shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then we shall promptly designate an independent appraiser and you shall promptly designate another independent appraiser and those two (2) appraisers shall, in turn, promptly designate a third appraiser; and all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon both you and us. The cost of any such appraisal shall be shared equally by both parties.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you, including but not limited to one-half (½) of the cost of the appraisal, if any, specified above in Section 16.6.3 against any payment to you.

16.7 *Death or Incapacity*. If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer, so long as you reimburse us for any out-of-pocket expenses that we incur in reviewing and/or documenting a transfer under this Section 16.7).

16.7.1 In addition, if the deceased or incapacitated person is the Operating Partner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.

16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: (a) for a period of thirty (30) or more consecutive days; or (b) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.

16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.

16.8 *Consent to Transfer*. Our consent to a transfer that is the subject of this Section 16 shall not constitute a waiver of any claims that we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Business*. You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Approved Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.

16.10 *Bankruptcy Issues*. If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including without limitation the terms of Sections 16.4, 16.5, and 16.6 above.

16.11 *Securities Offers*. All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.

16.11.1 You agree that: (***a***) no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; (***b***) our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and (***c***) we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.

16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Manhattan Bagel Parties (as defined in Section 21.5.2 below) in connection with the offering.

16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars ($10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including without limitation the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

16.11.5 You must also, for the remainder of the term of the Agreement, submit to us for our review and prior written approval all additional securities documents you are required to prepare and file (or use) in connection with any offering of stock, ownership, and/or partnership interests. You must reimburse us for our reasonable costs and expenses we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

17.1 *Automatic*. If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement shall automatically terminate without notice to you: (a) if you will become insolvent or makes a general assignment for the benefit of creditors; (b) if you file a petition in bankruptcy or such a petition is filed against and not opposed by you (to the extent permitted under the U.S. Bankruptcy Code); (c) if you are adjudicated bankrupt or insolvent (to the extent permitted under the U.S. Bankruptcy Code); (d) if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; (e) if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (f) if proceedings for a composition with creditors under any state or federal law is instituted by or against you; (g) if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); (h) if you are dissolved; or if execution is levied against your business or property; (***i***) if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or (j) if the real or personal property of your Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 *With Notice.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner set forth under Section 24 below):

17.2.1 If you fail to construct and open the Franchised Business within the time limits provided in Sections 5.1 and 8.2 above, and within the requirements stated in Sections 5 and 8.2 above;

17.2.2 If you at any time cease to operate or otherwise abandon the Franchised Business for two (2) consecutive business days (during which you are otherwise required to be open, and without our prior written consent to do so), or lose the right to possession of the premises, or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we shall not unreasonably withhold);

17.2.3 If you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;

17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business;

17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;

17.2.6 If you fail to comply with the requirements of Section 19 below;

17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Manual or other confidential information that we provide to you;

17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Sections 16.7 above;

17.2.9 If you knowingly maintain false books or records, or submit any false reports (including, but not limited to, information provided as part of your application for this franchise) to us;

17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

17.2.11 If you sell products that we have not previously approved, or purchase any product from a supplier that we have not previously approved, or if you sell any Proprietary Items anywhere other than from the Restaurant (except as permitted under Section 1.5 above) or sell any Proprietary Items that are not authorized for sale at retail;

17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice

17.2.13 If you engage in delivery and/or catering services from the Franchised Business without having first obtained our prior written consent; and/or

17.2.14 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure*.

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, we may only terminate this Agreement by giving you written notice of termination (in the manner set forth under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof of the cure to us, all within the thirty (30) day period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy*. If, for any reason, this Agreement is not terminated pursuant to this Section 17, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption; shall be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will thereupon have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement.

17.5 *Our Rights Instead of Termination*. If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement, including but not limited to

terminating, modifying, or eliminating completely, the Protected Territory described in Section 1.3 above.

17.6 *Reservation of Rights under Section 17.5*. If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action shall be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

17.7 *Damages*. You will pay us all damages, costs, and expenses (including but not limited to reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you shall forthwith terminate, and:

18.1 *Cease Operation*. You agree to: (a) immediately stop operating the Franchised Business; and (b) never directly or indirectly represent to the public that you are a present or former franchisee of ours.

18.2 *Stop Using Marks and Intellectual Property*. You agree to immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the mark "Manhattan Bagel" and any and all other Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

18.3 *Cancel Assumed Names*. You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Manhattan Bagel" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.

18.4 *Premises*. We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Restaurant is operated and/or for the building in which the Restaurant is operated.

18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such

modifications or alterations to the premises operated under this Agreement (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Restaurants, and shall make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business telephone directories, including "yellow" and "white" pages and online directories, or at our request transfer same to us.

18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) shall have the right to enter upon the premises of the Franchised Business, 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, at your cost, which expense you agree to pay upon demand.

18.5 *Our Option to Buy Your Assets*. We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "cost" shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we shall have the right to set off all amounts due from you.

18.6 *No Use of the Marks in Other Businesses*. You agree, if you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the Products, and/or the Proprietary Marks.

18.7 *Pay All Sums Due*. You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums shall include all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.

18.8 *Pay Damages*. You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or

subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18.

18.9 *Return Confidential Information*. You agree to immediately return to us the Manual and all other manuals, records, and instructions containing confidential information (including, without limitation, any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

18.10 *Right to Enter and Continue Operations*. In order to preserve the goodwill of the System following termination, we (or our designee) shall have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose continuing the Franchised Business's operation and maintaining the goodwill of the business.

18.11 *Lost Future Royalties*. If we terminate this Agreement based on your default, or if you abandon or otherwise ceases to operate the Franchised Business, you agree to pay to us, as liquidated damages, an amount calculated as follows: (a) the average of your monthly Royalty Fees that are due under this Agreement for the twelve (12) months immediately before your abandonment or our delivery of the notice of default (or, if you have been operating for less than 12 months, the average of your monthly Royalty Fees for the number of months you have operated the Restaurant); (b) multiplied by the lesser of 36 or the number of months remaining in the then-current term of this Agreement under Section 2.

18.12 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.

19 COVENANTS

19.1 *Full Time Efforts*. You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Partner) shall devote full time, energy, and best efforts to the management and operation of the Franchised Business.

19.2 *Understandings*.

19.2.1 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 we have established and that you will have access to 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 franchisees in our system if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform

services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2 As used in this Section 19, the term "**Competitive Business**" is agreed to mean a retail business that sells or offers bagels, cream cheese, and/or coffee products that separately or in the aggregate constitute or would constitute thirty percent (30%) or more of that business' gross revenues at any one or more retail location(s).

19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you shall not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

19.3.1 Divert or attempt to divert any actual or potential business or customer of any Manhattan Bagel Restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2 Own, maintain, develop, operate, engage in, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.

19.4 *Where Restrictions Apply*. During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions shall apply only within the Protected Territory and also within ten (10) miles of any then-existing Manhattan Bagel Restaurant, except as we may otherwise approve in writing. These restrictions shall not apply to restaurants that you operate that we (or our affiliates) have franchised to you pursuant to a valid franchise agreement.

19.5 *Application to Transfers*. You further covenant and agree that, for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Approved Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Approved Location. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Approved Location, shall include these restrictive covenants as are necessary to ensure that a Competitive Business that would violate this Section is not operated at the Approved Location for this two-year period, and you shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

19.6 *Periods of Non-Compliance*. If, at any time during the two-year period following expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you fail to comply with your obligations under this Section 19, then that period

of noncompliance will not be credited toward your satisfaction of the two-year obligation specified above.

19.7 *Publicly-Held Entities*. Section 19.3.3 above shall not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "publicly-held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

19.8 *Personal Covenants*. You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Highly Trained Personnel and other employees, supervisors, and Principals. The covenants required by this section shall be in the form provided in Exhibit H to this Agreement. If you do not obtain execution of a covenant required by this section and deliver to us those signed covenants, that shall constitute a default under Section 17.2.6 above.

19.9 *Construction*. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce in writing the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.

19.10 *Claims Not a Defense*. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.

19.11 *Covenant as to Anti-Terrorism Laws*. You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.

19.12 *Defaults*. You acknowledge that your violation of the terms of this Section 19 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

20.1 *Payment of Taxes*. You agree to 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 that you incur in the conduct of the business franchised under this Agreement. You agree to pay 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 that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

20.2 *Payment of Trade Creditors*. You agree to promptly pay when due all trade creditors and vendors (including but not limited to any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.

20.3 *Your Right to Contest Liabilities*. If there is a 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 law; however, in no event will 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 premises of the Franchised Business, or any improvements thereon.

20.4 *Compliance with Law*. You agree to comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, health certificates, liquor licenses, food handler's permits, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any such laws are in conflict with the terms of this Agreement, the Manual, or our other instructions, you agree to: (a) comply with said laws; (b) immediately provide us with written notice describing the nature of the conflict; and (c) cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

20.5 *Notice of Violations and Actions*. You agree to notify us in writing within five (5) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 *Independent Contractor Relationship.* The parties acknowledge and agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you will be an independent contractor;

21.1.3 you are the only party that is in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, processes, or requirements under which you operate alter that basic fact;

21.1.4 nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.5 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

21.2 *Notice of Status*. At all times during the term of this Agreement and any extensions hereof, you will hold yourself out to the public as an independent contractor operating the business pursuant to a franchise from us. You agree to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the Approved Location, the content of which we reserve the right to specify.

21.3 *No Contracts in our Name*. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor shall we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

21.4 *Indemnification*. You agree to indemnify and hold each of the Manhattan Bagel Parties harmless against any and all Damages arising directly or indirectly from any Asserted Claim as well as from your breach of this Agreement. Your indemnity obligations shall survive the expiration or termination of this Agreement, and shall not be affected by the presence of any applicable insurance policies and coverages that we may maintain.

21.5 *Definitions*. As used in Section 21.4 above, the parties agree that the following terms shall have the following meanings:

21.5.1 "**Asserted Claim**" means any allegation, claim or complaint that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including, but not limited to, any claim associated with your operation of the Franchised Business or otherwise), or any default by you under this Agreement, notwithstanding any claim that any Manhattan Bagel Party was or may have been negligent.

21.5.2 "**Manhattan Bagel Parties**" means us, our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, employees, and agents.

21.5.3 "**Damages**" means all claims, demands, causes of action, suits, damages, liabilities, fines, penalties, assessments, judgments, losses, and expenses

(including without limitation expenses, costs and lawyers' fees incurred for any indemnified party's primary defense or for enforcement of its indemnification rights).

22 FORCE MAJEURE

22.1 *Impact*. Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (a) acts of nature; (b) acts of war, terrorism, or insurrection; (c) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or (d) our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any Products used in the operation of the Franchised Business.

22.2 *Transmittal of Funds*. The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

23.1 *Request for Approval*. Whenever this Agreement requires our prior approval or consent, agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.

23.2 *No Warranties or Guarantees*. You acknowledge and agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 *No Waivers*. No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that shall not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by certified U.S. mail, or by other means which affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, rejected delivery, or delivery not possible because the recipient has moved and left no forwarding address shall be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery. 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 ENTIRE AGREEMENT AND AMENDMENT

25.1 *Entire Agreement*. This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements. The parties confirm that: (a) they were not induced by (nor did they rely upon) any other representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and (b) they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Section is intended as, nor shall it be interpreted to be, a disclaimer by us of any representation made in our Franchise Disclosure Document ("**FDD**"), including the exhibits and any amendments to the FDD.

25.2 *Amendment*. Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

26.1 *Introductory Paragraphs*. The parties agree that the introductory paragraphs of this Agreement, under the heading "Background," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here.

26.2 *Severability*. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

26.3 *No Third Party Rights*. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.

26.4 *Captions Don't Amend Terms*. All captions in this Agreement are intended solely for the convenience of the parties, and no caption shall be deemed to affect the meaning or construction of any provision hereof.

26.5 *Survival*. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

26.6 *How We Exercise Our Rights*. Although we may exercise any of our rights, carry out any of our obligations, or otherwise discharge any of our duties under this Agreement directly, through the use of employees, independent contractors, professional advisors (for example, a CPA), or otherwise, we will still remain responsible for the proper performance of our obligations to you under this Agreement. You agree that in any instance in which we have a right as set out in this Agreement, we may exercise that right (unless otherwise provided) once and/or at any additional times that we deem it appropriate to do so.

26.7 *Expenses*. Each party shall bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

26.8 *Counterparts*. This Agreement may be signed in counterparts, and signature pages may be exchanged by fax, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, shall be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 *Choice of Law*. This Agreement takes effect when we accept and sign this document. This Agreement shall be interpreted and construed exclusively under the laws of the State of Colorado, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Colorado choice-of-law rules); provided, however, that the covenants in Section 19 of this Agreement shall be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Colorado to which this Agreement would not otherwise be subject.

27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within such state and in the judicial district in which we have our principal place of business. Any action brought by us against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

27.2.1 The parties agree that this Section 27.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above.

27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.2.3 Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

27.3 *Mediation*. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation shall be non-binding and shall be conducted in accordance with the then-current rules for mediation of commercial disputes of Judicial Arbitration and Mediation Services, Inc. (JAMS) at its location nearest to our principal place of business. Notwithstanding anything to the contrary, this Section 27.3 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

27.4 *Parties Rights Are Cumulative*. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

27.5 *Injunctions*. Nothing contained in this Agreement shall bar our right to obtain injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.6 ***WAIVER OF JURY TRIALS*. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

27.7 ***MUST BRING CLAIMS WITHIN ONE YEAR*. EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED. THIS SECTION 27.7 DOES NOT APPLY TO CLAIMS FOR INDEMNIFICATION UNDER THIS AGREEMENT.**

27.8 ***WAIVER OF PUNITIVE DAMAGES*. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (THE PARTIES AGREE THAT THE PROVISIONS OF SECTION 18.11 ARE**

CONSISTENT WITH THIS PROVISION AND SHALL BE ENFORCED NOTWITHSTANDING THE WAIVER IN THIS SECTION 27.8).

27.9 *Payment of Legal Fees*. You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 17 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28 ACKNOWLEDGMENTS

28.1 *Your Investigation of the Business Possibilities.* You acknowledge that you have conducted an independent investigation of the business franchised under this Agreement, recognize that this business venture involves business risks, and that your success will be largely dependent upon your ability (or, if you are an entity, your owners as independent businesspersons).

28.2 *No Warranties or Guarantees.* We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

28.3 *Receipt of FDD and Complete Agreement.* You acknowledge receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with ample time within which to review with applicable advisors. You also acknowledge that you received the FDD at least fourteen (14) business days before the date on which this Agreement was signed, or as otherwise provided under applicable state law.

28.4 *You Have Read the Agreement.* You acknowledge and agree that you have read and understood the FDD, this Agreement, and the exhibits to this Agreement.

28.5 *Your Advisors.* You acknowledge that we have recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement, and that you have had sufficient time and opportunity to consult with those advisors.

28.6 *No Conflicting Obligations.* Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

28.7 *Your Responsibility for the Choice of the Approved Location.* You acknowledge that you have sole and complete responsibility for the choice of the Approved Location; that we

have not (and shall not be deemed to have, even by our approval of the site that is the Approved Location) given any representation, promise, or guarantee of your success at the Approved Location; and that you will be solely responsible for your own success at the Approved Location.

28.8 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Restaurant, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.

28.9 *Different Franchise Offerings to Others.* You acknowledge and agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.10 *Our Advice*. You acknowledge and agree that our advice is just that; that our advice is not a guarantee of success; and that you are the party that must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.

28.11 *Your Independence*. You acknowledge and agree that:

28.11.1 you are the only party that employs your employees (even though we may provide you with advice, guidance, and training);

28.11.2 we are not the employer of any of your employees, and we will not play any role in decisions regarding their employment (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

28.11.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;

28.11.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including but not limited to our System and the requirements under this Agreement); and

28.11.5 you have made (and will remain responsible at all times for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including but not limited to adopting our standards as your standards), and hiring employees and employment matters (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

28.12 *Success Depends on You.* You acknowledge that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.13 *General Release*. If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*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, "**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 "**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 now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Franchised Cafe and the development and operation of all other restaurants operated by any Releasor that are franchised by any 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.*

*****

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year written below.

Manhattan Bagel Company, Inc.
Franchisor

By:_____

Name:_____

Title:_____

Effective Date:_____

Address for Notices:

1720 S. Bellaire St., Suite Skybox
Denver, Colorado 80222
Fax: (303) 568-8199
Attn: General Counsel

_____
Franchisee Entity

By:_____

Name:_____

Title:_____

Address for Notices:

_____

_____

Telephone:_____
Fax:_____
Attn:_____

MANHATTAN BAGEL
FRANCHISE AGREEMENT
EXHIBIT A
DATA ADDENDUM

¶	Section Cross-Reference	Item
1	1.2	The Approved Location under this Agreement shall be: _____ _____.
2	1.3	The Protected Territory under this Agreement shall be: _____ _____.

Initials	
Franchisee	Franchisor

MANHATTAN BAGEL
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Manhattan Bagel Company, Inc. ("**Franchisor**") to sign the Manhattan Bagel Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 202____ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Upon demand by Franchisor, each of the undersigned persons jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and/or any other contract with Franchisor and/or its affiliates. Each of the undersigned persons waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons undersigned waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).

Each of the undersigned persons jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor's affiliates), any amendment thereto, or any other agreement executed by Franchisee referred to therein.

Each of the undersigned persons agree to be individually bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

Each of the undersigned persons acknowledge and agree that: **(a)** this Guarantee does not grant them any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks such as the "Manhattan Bagel" marks) and/or the system licensed to Franchisee under the Agreement; **(b)** that they have read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and **(c)** that

they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee shall terminate upon the termination or expiration of all obligations of Franchisee under the Agreement and/or any other agreements between Franchisee and Franchisor, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations under this Agreement existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

This Guarantee shall be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee shall be interpreted and construed exclusively under the laws of the State of Colorado, and that in the event of any conflict of law, Colorado law will prevail (without applying Colorado conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

_____	_____	_____
(in his/her personal capacity)	(in his/her personal capacity)	(in his/her personal capacity)
Printed Name:_____	Printed Name:_____	Printed Name:_____
Date:_____	Date:_____	Date:_____
Home Address:	Home Address:	Home Address:
_____	_____	_____
_____	_____	_____

MANHATTAN BAGEL
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Interest %

Initials	
Franchisee	Franchisor

MANHATTAN BAGEL
FRANCHISE AGREEMENT
EXHIBIT D

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS (DIRECT DEBITS FOR ROYALTY, MARKETING FUND CONTRIBUTION, AND OTHER FEES)

_____ (Name of Person or Legal Entity)

_____(ID Number)

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Manhattan Bagel Company, Inc. ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to our instructions.

_____	_____
Depository	Branch

_____	_____	_____
City	State	Zip Code

_____	_____
Bank Transit/ABA Number	Account Number

This authorization is to remain in full and force and effect until sixty days after we have received written notification from Franchisee of its termination.

Printed Name of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

MANHATTAN BAGEL
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

Manhattan Bagel Company, Inc. ("**Franchisor**" or "**us**") and _____ ("**Franchisee**" or "**you**") are parties to a franchise agreement dated _____, 202___ (the "**Franchise Agreement**") for the operation of a Franchised Business at _____ (the "**Franchised Business**").

- In accordance with Section 5.7 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.

- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.

- You acknowledge that we have relied on the information contained in this certification.

- You agree to indemnify us and our officers, directors, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

_____
Franchisee:

By:_____

Printed Name:_____

Title:_____

MANHATTAN BAGEL
FRANCHISE AGREEMENT
EXHIBIT F
LEASE RIDER

THIS ADDENDUM (the "**Addendum**") has been executed as of this ___ day of _____, 202___, 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**") dated as of _____, 202__ for the premises located at [address], in the State of _____ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with Manhattan Bagel Company, Inc. ("**Franchisor**") for the development and operation of an "Manhattan Bagel" shop at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

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 agrees to 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 and until: **(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, to cure any breach of the Lease upon giving written notice of its election to Franchisee and Landlord, 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 that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes 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 another franchisee of Franchisor to operate a "Manhattan Bagel" shop at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has

executed a franchise agreement with Franchisor. 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 if 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 "Manhattan Bagel" shop (unless Franchisor takes an assignment of the lease, as provided above). 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 that Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.

8. If Landlord is an affiliate or an Owner of Franchisee, Landlord and Franchisee agree that if Landlord proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease 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 "Manhattan Bagel" shop 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 such Confidential Information belongs exclusively to Franchisor.

10. Landlord agrees that: **(a)** Franchisor has granted to only one party, the 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 use the Marks to Landlord.

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

12. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

13. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, shall also be sent to Franchisor at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 (attention General Counsel), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal.

Landlord:	Franchisor*	Franchisee:
_____	_____	_____
Date:	Date:	Date:
_____	_____	_____
Subscribed and sworn to before me this ___ day of _____, 202_____.	Subscribed and sworn to before me this ___ day of _____, 202_____.	Subscribed and sworn to before me this ___ day of _____, 202_____.
_____ Notary Public	_____ Notary Public	_____ Notary Public
My Commission expires: _____	My Commission expires: _____	My Commission expires: _____

* The Franchisor has signed this lease rider only to acknowledge its terms and not to accept any obligations under the lease.

MANHATTAN BAGEL
FRANCHISE AGREEMENT
EXHIBIT G

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(to be signed by franchisee and its personnel)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this _____ day of _____, 201___, by and between _____ (the "**Franchisee**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the "**Member**").

RECITALS:

WHEREAS, Manhattan Bagel Company, Inc. ("**MBC**") owns a format and system (the "**System**") relating to the establishment and operation of "Manhattan Bagel" restaurants, featuring a menu of [_____] and operating in structures that bear MBC's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**");

WHEREAS, Each Restaurant will offer [_____] ("**Products**"), and certain proprietary foodstuff items such as [_____] and related items (together, "**Proprietary Items**"), for on-premises and carry-out consumption of food products, as well as the retail sale of merchandising items, logo items and certain Proprietary Items;

WHEREAS, MBC identifies Manhattan Bagel Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Manhattan Bagel") and certain other trade names, service marks, and trademarks that MBC currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**");

WHEREAS, MBC and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Manhattan Bagel Restaurant (the "**Franchised Business**") and to produce and distribute the Products, Proprietary Items, services, and other ancillary products approved by MBC and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement;

WHEREAS, the Member, by virtue of his or her position with Franchisee, will gain access to certain of MBC's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge,

or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of your operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which MBC designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention before disclosure thereof by MBC; or which, at or after the time of disclosure by MBC to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of MBC and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by MBC, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with MBC's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by MBC, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member shall not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a ten (10) mile radius of either the Approved Location or any other Restaurant operating at the time that the obligations under this commence.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" shall include, but not be limited to, any other retail business that sells or offers bagels, cream cheese, and/or coffee products that separately or in the aggregate constitute or would constitute thirty percent (30%) or more of that business' gross revenues at any one or more retail location(s).

(e) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer as contemplated under Section 16 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of Member's employment with Franchisee; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a

court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause MBC irreparable injury, and Member agrees to pay all costs (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by MBC in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect MBC's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the MBC or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that MBC is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

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

FRANCHISEE	MEMBER
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit B
Development Agreement

MANHATTAN BAGEL COMPANY, INC.

AREA DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

MANHATTAN BAGEL COMPANY, INC.
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into on this ___ day of _____, 20__("**Effective Date**") by and between:

- Manhattan Bagel Company, Inc., a New Jersey corporation with its principal place of business at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 ("**Franchisor**"); and

- _____, a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ ("**Developer**").

RECITALS:

WHEREAS, Franchisor owns a format and system (the "**System**") relating to the establishment and operation of businesses operating in buildings that bear Franchisor's interior and exterior trade dress, under the "Manhattan Bagel" name and marks ("**Restaurants**"), and specializing in the sale of proprietary items which currently include bagels, cheese spreads, muffins, gourmet coffee and other special recipe beverages and food items, and such additional proprietary products Franchisor may specify from time to time ("**Proprietary Products**"), as well as non-proprietary items such as sandwiches, salads, soups, and other beverage items for on-premises and carry-out consumption and such other non-proprietary products Franchisor may designate from time to time (collectively, the "**Products**");

WHEREAS, the distinguishing characteristics of the System include, without limitation, a specially-designed building or facility, with specially developed equipment, equipment layouts, signage, distinctive interior and exterior design and accessories, Products, procedures for operations; quality and uniformity of products and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark "Manhattan Bagel" and logo, and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) for use in connection with the System (the "**Proprietary Marks**");

WHEREAS, Franchisor continues to develop, use, and control the use of such Proprietary Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance, and service;

WHEREAS, Developer wishes to obtain certain rights to develop "Manhattan Bagel" Restaurants under Franchisor's System, within the Development Area specified in this Agreement and according to the Development Schedule specified in this Agreement; and Developer and Franchisor wish to enter into this Agreement in order to reflect the understandings and agreements that they have reached with respect to the foregoing points and the other matters that are addressed herein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. GRANT

1.1 Franchisor hereby grants to Developer the right (and Developer hereby accepts the obligation), pursuant to the terms and conditions of this Agreement, to develop _____(__) Restaurants. In this regard, the parties further agree that:

1.1.1 The Restaurants shall be developed by Developer pursuant to the development schedule set forth in Paragraph 2 of Exhibit A, attached hereto (the "**Development Schedule**").

1.1.2 Each Restaurant shall be developed under this Agreement and operated pursuant to a separate Manhattan Bagel Company, Inc. Franchise Agreement (a "**Franchise Agreement**") that shall be executed as provided in Section 3.1 below.

1.1.3 Each Restaurant developed hereunder shall be located in the area described in Paragraph 1 of Exhibit A, attached hereto (the "**Development Area**"); however, the parties hereto expressly acknowledge and agree that the Development Area shall not include any toll road or interstate highway, "Institutional Facility" (as defined below), Co-Branded Location (as defined below), or any non-traditional facility (including without limitation, sports arenas and stadiums, supermarkets, and gasoline convenience stores) located within the area described in paragraph 1 of Exhibit A hereto.

1.1.4 Definitions. The parties agree that the following terms shall have the following meanings.

1.1.4.1 The term "**Co-Branded Location**" is agreed to include, among other things, businesses of any sort within which a "Manhattan Bagel" facility is established and operated, including for example book stores, home improvement stores, gas stations, department stores, restaurants, and supermarkets.

1.1.4.2 The term "**Institutional Facility**" is agreed to include, among other things: airports; bus stations; factories; federal, state or local government facilities (including military bases); hospitals and other health-care facilities; recreational facilities;

schools, colleges and other academic facilities; seasonal facilities; shopping malls; theaters; train stations; and workplace cafeterias.

1.2 If Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Developer (including any affiliate of Developer) and Franchisor, then Franchisor shall not establish, nor license anyone other than Developer to establish, a Restaurant in the Development Area until the last date specified in the Development Schedule, except as otherwise provided under Sections 1.3 and 1.4 below.

1.3 Except as otherwise specifically provided under Section 1.2 above, Franchisor retains all other rights, and therefore Franchisor shall have the right (among others) on any terms and conditions Franchisor deems advisable, and without granting Developer any rights therein, to:

1.3.1 establish, and license others to establish, Restaurants at any location outside the Development Area notwithstanding their proximity to the Development Area or any Restaurant operated by Developer;

1.3.2 establish, and license others to establish, Restaurants at any Institutional Facility, Co-Branded Location, or non-traditional facility, within or outside the Development Area, notwithstanding such Restaurants' proximity to any Restaurant operated by Developer;

1.3.3 establish, and license others to establish, stores under other systems or other proprietary marks, which stores may offer or sell products that are the same as, similar to, or different from the Products offered from the Restaurant, and which stores may be located within or outside the Development Area, notwithstanding such stores' proximity to any Restaurant operated by Developer;

1.3.4 acquire (or be acquired) and operate any business or store of any kind, whether located within or outside the Development Area (excluding Restaurants operated under the System within the Development Area), notwithstanding such the proximity of any such businesses or stores to any Restaurant operated by Developer; and/or

1.3.5 sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any Products from any location or to any purchaser (including, but not limited to, sales made at retail locations, supermarkets, gourmet shops, mail order, and on the Internet), so long as such sales are not conducted from a retail Restaurant operated from a location inside the Development Area.

1.4 In addition to the rights retained by Franchisor, as described in Section 1.3 above, Developer acknowledges and agrees that:

1.4.1 Franchisor and certain of Franchisor's affiliates and designees now sell and shall have the right to sell Products (and items of a similar nature) to wholesale accounts (such as restaurants), retail accounts (such as groceries and supermarkets), or otherwise, to any account and at any location.

1.4.2 Franchisor shall not prohibit other "Manhattan Bagel" Restaurants (whether owned or franchised by Franchisor) from providing delivery or catering service to customers at any location, whether within or outside the Development Area.

1.5 This Agreement is not a franchise agreement, and does not grant to Developer any right to use in any manner Franchisor's Proprietary Marks or System.

1.6 Developer shall have no right under this Agreement to license others to use in any manner the Proprietary Marks or System.

2. DEVELOPMENT FEE

2.1 In consideration of the development rights granted herein, Developer shall pay to Franchisor a development fee of _____Dollars ($_____) (the "**Development Fee**"), to be paid to Franchisor on or before the date of this Agreement.

2.2 If Developer is in compliance with its obligations under this Agreement, then upon execution of each Franchise Agreement, Franchisor shall credit to Developer the sum of Ten Thousand Dollars ($10,000) toward the initial franchise fee payable under said Franchise Agreement with respect to each Restaurant that Developer is required to open under this Agreement; provided that in no circumstances will Franchisor grant credits in excess of the total Development Fee.

2.3 The Development Fee shall be fully earned when received by Franchisor and shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

3. DEVELOPMENT OBLIGATIONS

3.1 Developer must sign a separate Franchise Agreement for each Restaurant. Each Restaurant must be operated at a site that Franchisor has approved in writing (the "**Approved Location**"), as provided below. The Franchise Agreement for the first Restaurant developed under this Agreement will be in the form that is attached to this Agreement as Exhibit D. The Franchise Agreement for each additional Restaurant to be developed under this Agreement will be the form of franchise agreement that Franchisor is generally offering when the Franchise Agreement is to be signed. However, no matter what is stated in the form of Franchise Agreement to be signed:

3.1.1 For the first (1st) Restaurant required to be opened under this Agreement, the initial franchise fee under the Franchise Agreement for that Restaurant shall be Twenty-Five Thousand Dollars ($25,000); and

3.1.2 For the second (2nd) and each additional Restaurant to be opened under this Agreement, the initial franchise fee under the Franchise Agreements for those Restaurants shall be Twelve Thousand Five Hundred Dollars ($12,500).

3.2 For each proposed site for a Restaurant, Developer must submit to Franchisor, in a form specified by Franchisor, a completed site approval package ("**Site Approval Package**") and such other information or materials as Franchisor may reasonably require. Developer must submit the Site Approval Package, information, and materials by no later than one hundred and eighty (180) days before the date on which the Restaurant must open, as listed in the Development Schedule. Notwithstanding the foregoing, Developer must obtain site approval from Franchisor for the first Restaurant to be developed hereunder within eight (8) months of the date of this Agreement. If Franchisor gives its written approval to a proposed site, Franchisor shall send written notice of approval to Developer within thirty (30) days of Franchisor's receipt of the completed Site Approval Package. If Franchisor does not send such notice to Developer within the said thirty (30) day period, then the site shall be deemed disapproved by Franchisor.

3.3 If Developer will occupy the premises from which the Restaurant is to be operated under a lease, then before signing the lease, Developer shall submit the draft lease or sublease to Franchisor for its approval. Franchisor's approval of the lease may be conditioned upon the inclusion in the lease of such provisions as Franchisor may reasonably require. Developer must obtain Franchisor's prior written approval as to the site for each Restaurant before Developer enters into a lease or sublease for such site, and before Developer starts construction at each such site. Within thirty (30) days after site approval by Franchisor, Developer shall execute a lease, after obtaining Franchisor's approval of the terms of the lease, or a binding agreement to purchase the site, subject only to Developer obtaining any necessary zoning variances, building, or use permits. Nothing in Section 3.2 above or this Section 3.3 shall be deemed to amend or modify Developer's obligation to meet the Development Schedule. As used in this Agreement, the term "lease" includes subleases and similar subordinate grants of property rights.

3.4 Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule. Failure by Developer to adhere to the Development Schedule, or failure by Developer to submit a completed Site Approval Package and obtain Franchisor's approval thereof within the time specified in Section 3.2 hereof shall constitute a default under this Agreement as provided in Section 6.2 hereof.

4. TERM

The term of this Agreement and all rights granted hereunder shall expire on the last date specified in the Development Schedule, unless this Agreement is earlier terminated in accordance with the terms set out in this Agreement.

5. DUTIES OF THE PARTIES

5.1 For each Restaurant developed under this Agreement Franchisor shall furnish to Developer the following:

5.1.1 Site selection guidelines, including Franchisor's minimum standards for a location for the Restaurant, and such site selection counseling and assistance as Franchisor may deem advisable.

5.1.2 Such on-site evaluation as Franchisor may deem advisable in response to Developer's request for site approval; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a completed Site Approval Package and all information relating to the site as required under Section 3.2 above. Franchisor shall provide one (1) on-site evaluation at no charge to Developer for each Restaurant required to be developed pursuant to the Development Schedule. For any additional on-site evaluation, Developer shall reimburse Franchisor for all reasonable out-of-pocket expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the costs of travel, lodging, wages, and meals.

5.2 Developer accepts the following obligations:

5.2.1 If Developer is a corporation, then it shall comply, except as otherwise approved in writing by Franchisor, with the following requirements throughout the term of this Agreement:

5.2.1.1 Developer shall furnish Franchisor with its Articles of Incorporation, Bylaws, other governing documents, any other documents Franchisor may reasonably request, and any amendments thereto.

5.2.1.2 Developer shall confine its activities, and its governing documents, if any, shall at all times provide that its activities are confined, exclusively to the management and operation of the business contemplated hereunder, including the establishment and operation of the Restaurants to be developed hereunder.

5.2.1.3 Developer shall maintain stop transfer instructions against the transfer on its records of any voting securities; and shall issue no certificates for voting securities upon the face of which the following printed legend does not legibly and conspicuously appear:

> The transfer of this stock is subject to the terms and conditions of an Area Development Agreement with Manhattan Bagel Company, Inc., dated ____. Reference is made to the provisions of the said Development Agreement and to the Articles and Bylaws of this Corporation.

5.2.1.4 Developer shall maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Developer and shall furnish the list to Franchisor upon request.

5.2.1.5 Such owners of a beneficial interest in the corporation as Franchisor may request shall execute a guarantee of the performance of Developer's obligations under this Agreement in the form attached hereto as Exhibit B.

5.2.2 If Developer is a partnership or limited liability entity of any sort (a "**LLC**"), then it shall comply, except as otherwise approved in writing by Franchisor, with the following requirements throughout the term of this Agreement:

5.2.2.1 Developer shall furnish Franchisor with its partnership agreement, operating agreement, and/or organizational documents, as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

5.2.2.2 Developer shall prepare and furnish to Franchisor, upon request, a list of all general and limited partners, and/or members, in Developer.

5.2.2.3 Such partners in the partnership, or such members in the LLC, as Franchisor may request shall execute a guarantee of the performance of Developer's obligations under this Agreement in the form attached hereto as Exhibit B.

5.2.3 Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

5.2.4 Developer shall comply with all requirements of federal, state, and local laws, rules, and regulations. To the extent that the requirements of said laws are in conflict with the terms of this Agreement or other instructions of Franchisor, Developer shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

5.2.5 Franchisor shall have the right to require Developer to employ one or more district managers (who shall be individuals reasonably acceptable to Franchisor) to supervise the day to day operations of Developer's stores. Any such district managers shall be required to attend and successfully complete (to Franchisor's reasonable satisfaction) such training course as Franchisor may reasonably require.

6. DEFAULT

6.1 Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if Developer shall become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Developer or such a petition is filed against and not opposed by Developer; or if Developer is adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any Restaurant developed hereunder is instituted against Developer and not dismissed within thirty (30) days; or if the real or personal property of Developer shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 If Developer fails to meet its obligations under the Development Schedule, such action shall constitute a default under this Agreement, upon which Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Developer any opportunity to cure the default, effective immediately upon the delivery of written notice to Developer (in the manner set forth in Section 9 of this Agreement).

6.3 Except as otherwise provided in Sections 6.1 and 6.2, above, if Developer fails to comply with any material term and condition of this Agreement, or fails to comply with the terms and conditions of any Franchise Agreement or other development agreement between the Developer (or a person or entity affiliated with or controlled by the Developer) and Franchisor, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Developer at least fifteen (15) days prior to the effective date of termination; provided, however, that Developer may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the fifteen-day period (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Restaurants) will terminate without further notice to Developer, effective immediately upon the expiration of the fifteen (15) day period (or such longer period as applicable law may require).

6.4 In lieu of termination, Franchisor shall have the right to reduce or eliminate all or only certain rights of Developer under this Agreement; and if Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other

rights, and invoke all other provisions, that are provided in law and/or set out under this Agreement.

6.5 Upon termination or expiration of this Agreement, Developer shall have no right to establish or operate any Restaurants for which a Franchise Agreement has not been executed by Franchisor at the time of termination. Thereafter, Franchisor shall be entitled to establish, and to license others to establish, Restaurants in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between Franchisor and Developer).

6.6 No default under this Area Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

6.7 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

7. TRANSFERS

7.1 Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations under this Agreement to any person or legal entity, and any assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

7.2 If Developer is a corporation, partnership, or LLC, each principal of Developer ("**Principal**"), and the interest of each Principal in Developer, is identified in Exhibit C hereto. Any person or entity which owns a direct or indirect interest in Developer may be designated as a Principal by Franchisor in its sole discretion, and Exhibit C shall be so amended automatically upon notice thereof to Developer.

7.3 Franchisor shall have a continuing right to designate as a Principal any person or entity which owns a direct or indirect interest in Developer.

7.4 Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and that Franchisor has granted the rights described in this Agreement in reliance on Developer's or Developer's Principals' business skill, financial capacity, and personal character. Accordingly:

7.4.1 Developer shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and obligations of the Developer under this Agreement; or (b) any material asset of Developer.

7.4.2 If Developer is a corporation, Developer shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

7.4.3 If Developer is a partnership or LLC, the partners of the partnership or members of the LLC shall not, without the prior written consent of Franchisor, admit additional general partners or managing members, remove a general partner or managing member, or otherwise materially alter the powers of any general partner or managing member. Each general partner or member of a partnership or LLC shall automatically be deemed a Principal of Developer.

7.4.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Developer as shown in Exhibit C.

7.4.5 Developer acknowledges and agrees that any transfer, pledge or other encumbrance by Developer which does not have Franchisor's prior written approval shall be deemed null and void.

7.5 Franchisor shall not unreasonably withhold any consent required by Section 7.4; provided, if Developer proposes to transfer its obligations hereunder or any material asset, or if a Principal proposes to transfer any direct or indirect interest in Developer, Franchisor shall have absolute discretion to require any or all of the following as conditions of its approval:

7.5.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Developer and Franchisor or its affiliates, and federal, state, and local laws and rules;

7.5.2 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Developer; and, if the obligations of Developer were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

7.5.3 After the transfer, the Principals of the Developer shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the business of Developer, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the business;

7.5.4 If a proposed transfer would result in a change in control of the Developer, at Franchisor's option, the Developer shall execute, for a term ending on the expiration date of this Agreement the form of area development agreement then being offered to new System Developers, and such other ancillary agreements required by Franchisor for the business contemplated hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement;

7.5.5 The transferor shall remain liable for all of the obligations to Franchisor in connection with this Agreement that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

7.5.6 At Developer's expense, one Principal designated by Franchisor shall successfully complete all training programs required by Franchisor upon such terms and conditions as Franchisor may reasonably require;

7.5.7 Developer shall pay a transfer fee of the greater of: (a) Ten Thousand Dollars ($10,000); or (b) two percent (2%) of the total selling price paid by transferee for Franchisor's legal, accounting, training, and other expenses incurred in connection with the transfer;

7.5.8 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 8.2 and Section 8.3 of this Agreement; and

7.5.9 Developer shall have paid Franchisor all of remaining installments of the Development Fee, if any, that Developer has not yet paid to Franchisor under Section 2.2 above.

7.6 Right of First Refusal.

7.6.1 If Developer or any Principal desires to accept any *bona fide* offer from a third party to purchase Developer, any material assets of Developer, or any direct or indirect interest in Developer, Developer or such Principal shall promptly notify Franchisor of such offer and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by Franchisor.

7.6.2 Any material change in the terms of the offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 7.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 7, with respect to a proposed transfer.

7.6.3 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they shall attempt to appoint a mutually acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent

appraiser shall be promptly designated by Developer, which two appraisers will, in turn, promptly designate a third appraiser; all three appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Developer. The cost of any such appraisal shall be shared equally by Franchisor and Developer. If Franchisor elects to exercise its right of first refusal, it shall have the right to set off all amounts due from Developer, and one-half of the cost of the appraisal, if any, against any payment to the Seller.

7.7 Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

7.8 Upon the permanent disability of any Principal with a controlling interest in Developer, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 7 within six (6) months after notice to Developer. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 7.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

7.9 Upon the death or permanent disability of any Principal of Developer, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

7.10 Franchisor's consent to a transfer which is the subject of this Section 7 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

7.11 If Developer or any person holding any interest (direct or indirect) in Developer becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of Developer, Developer's obligations and/or rights hereunder, any material assets of Developer, or any indirect or direct interest in Developer shall be subject to all of the terms of this Section 7, including without limitation the rights set forth in Sections 7.4, 7.5, and 7.6 above.

7.12 All materials for an offering of stock or partnership interests in Developer or any affiliate of Developer which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Developer or any affiliate of Developer shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Developer or Developer's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Developer and any subsidiaries and affiliates, if applicable. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Developer (and the offeror if not Developer), the Principals, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, Developer shall pay Franchisor a non-refundable fee of Seven Thousand Five Hundred Dollars ($7,500) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Developer shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 7.12 commences. Any such offering shall be subject to all of the other provisions of this Section 7, including without limitation those set forth in Sections 7.4, 7.5, and 7.6; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Developer, if Developer is not the offeror) after the financing is completed.

8. COVENANTS

8.1 Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer (or one (1) designated Principal of Developer who will assume primary responsibility for the operations of Developer and shall have been previously approved in writing by Franchisor) shall devote full time, energy, and best efforts to the management and operation of the business contemplated hereunder.

8.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership corporation or entity:

8.2.1 Divert or attempt to divert any business or customer of the Restaurant or of any Restaurant using the System to any competitor, by direct or indirect inducement or

otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System.

8.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

8.3 Developer covenants that, except as otherwise approved in writing by Franchisor, it shall not, during the term of this Agreement, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Restaurant; and shall not for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 8.3; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity), own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the business operated under this Agreement or the Restaurants required to be developed under this Agreement and which business is, or is intended to be, located (i) within the Development Area; (ii) within a five (5) mile radius of any Restaurant developed under this Agreement; or (iii) within a five (5) mile radius of any Restaurant under the System at the time the obligations under this Section 8.3 commenced. As used in this Agreement, the term "same as or similar to the business operated under this Agreement or the Restaurants required to be developed under this Agreement" shall mean any other retail business that sells or offers bagels, cream cheese, and/or coffee products that separately or in the aggregate constitute or would constitute thirty percent (30%) or more of that business' gross revenues at any one or more retail location(s).

8.4 Section 8.3 hereof shall not apply to ownership by Developer of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "**publicly-held corporation**" shall be deemed to refer to a corporation which has securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 At Franchisor's request, Developer shall require and obtain execution of covenants similar to those set forth in Sections 7 and 8 (as modified to apply to an individual) from any or all of the following persons: Developer's Principals and senior level management personnel. The covenants required by this Section 8.5 shall be in the form provided in Exhibit E to this Agreement. Failure by Developer to obtain execution of a covenant required by this Section 8.5 shall constitute a default under Section 6.3 hereof.

8.6 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a

covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.7 Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 13 hereof.

8.8 Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 Developer acknowledges that Developer's violation of the terms of this Section 8 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer accordingly consents to the issuance of an injunction prohibiting any conduct by Developer in violation of the terms of this Section 8.

9. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, rejected delivery, or delivery not possible because the recipient has moved and left no forwarding address shall be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery. 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 9.

10. PERMITS AND COMPLIANCE WITH LAWS

10.1 Developer shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

10.2 Developer shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Developer and/or any Restaurant established pursuant to this Agreement.

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Developer shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

11.2 At all times during the term of this Agreement, Developer shall hold itself out to the public as an independent contractor operating pursuant to this Agreement. Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in the Developer's offices, the content of which Franchisor reserves the right to specify.

11.3 It is understood and agreed that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Developer in Developer's operations hereunder, or for any claim or judgment arising therefrom against Developer or Franchisor.

11.4 Developer shall, to the fullest extent permissible under applicable law, indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, employees, and agents, harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Developer's operation of the business contemplated hereunder, as well as the costs, including attorneys' fees, of defending against them.

12. APPROVALS AND WAIVERS

12.1 Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

12.2 Developer acknowledges and agrees that Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by providing any waiver, approval, consent, or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

12.3 No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Developer under any of the terms, provisions, covenants, or conditions of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Developer, or as to subsequent breach or default by Developer. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, provisions, covenants, or conditions of this Agreement.

13. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to herein constitute the entire, full, and complete Agreement between Franchisor and Developer concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Developer to execute this Agreement. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. However, nothing in this Section is intended as, nor shall it be interpreted to be, a disclaimer by Franchisor of any representation made in its Franchise Disclosure Document ("FDD"), including the exhibits and any amendments to the FDD.

14. SEVERABILITY AND CONSTRUCTION

14.1 Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors, and employees, and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Section 7 hereof, any rights or remedies under or by reason of this Agreement.

14.3 Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

14.4 All capitalized terms not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

14.5 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 hereof.

14.6 All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

15. APPLICABLE LAW

15.1 This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed exclusively under the laws of the State of Colorado, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Colorado choice of law rules); provided, however, that if the covenants in Section 8 of this Agreement would not be enforceable under the laws of Colorado, and Developer is located outside of Colorado, then such covenants shall be interpreted and construed under the laws of the state in which the Developer's principal place of business is located. Nothing in this Section 15.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Colorado to which this Agreement would not otherwise be subject.

15.2 The parties agree that any action brought by Developer against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business. Any action brought by Franchisor against Developer in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business. The parties agree that this Section 15.2 shall not be construed as preventing either party from removing an action from state to federal court. Developer hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

15.3 Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 15.3 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

15.4 No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein

or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

15.5 Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

15.6 Franchisor and Developer irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Developer and Franchisor, or Developer's operation of the business contemplated hereunder, brought by any party hereto against the other, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

15.7 Franchisor and Developer hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other, and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

16. ACKNOWLEDGMENTS

16.1 Developer acknowledges that it has conducted an independent investigation of the business contemplated hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Developer and if a corporation, partnership, or LLC, its owners as independent businesspersons. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

16.2 Developer acknowledges that it received a copy of this Agreement, and has read and understood this Agreement the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, prior to the date on which this Agreement was executed, and with sufficient time within which to review the Agreement and to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement. Developer further acknowledges that it received Franchisor's franchise disclosure document required by the Federal Trade Commission Franchise Rule, 16 C.F.R. Part 436, at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

16.3 Developer acknowledges that it has read and understood this Agreement, the Exhibits hereto, and agreements relating thereto, if any, and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the day and year first above written.

Manhattan Bagel Company, Inc. Franchisor	_____ Developer
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Address for Notices: Law Department 1720 S. Bellaire St., Suite Skybox Denver, Colorado 80222 Fax: 303.568.8199	Address for Notices: _____ _____ _____ Telephone: _____ Fax: _____ Attn: _____

MANHATTAN BAGEL COMPANY, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

1. Development Area. All Restaurants developed under this Development Agreement shall be located within the boundaries of the following area:

_____

_____

_____

2. Development Schedule. Recognizing that time is of the essence, Developer agrees to satisfy the development schedule set forth below:

By (Date)	Cumulative Total Number of Restaurants Which Developer Shall Have Open and in Operation	By (Date)	Cumulative Total Number of Restaurants Which Developer Shall Have Open and in Operation

INITIALED:

FRANCHISOR: _____ DEVELOPER: ___

MANHATTAN BAGEL COMPANY, INC.
DEVELOPMENT AGREEMENT

EXHIBIT B
GUARANTEE

As an inducement to Manhattan Bagel Company, Inc. ("**Franchisor**") to execute the Manhattan Bagel Company, Inc. Area Development Agreement between Franchisor and _____ ("**Developer**") dated _____, 20__ (the "**Agreement**"), the undersigned hereby agree to defend, indemnify and hold Franchisor, Franchisor's affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned hereby acknowledge and agree to be individually bound by all of the covenants contained in Section 8 of the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 15 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Colorado. In the event of any conflict of law, the laws of Colorado shall prevail (without regard to, and without giving effect to, the application of Colorado conflict of law rules).

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR

(Seal) _____

_____, Individually
[Name]

(Seal) _____

_____, Individually
[Name]

(Seal) _____

_____, Individually
[Name]

(Seal) _____

_____, Individually
[Name]

MANHATTAN BAGEL COMPANY, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Address	Interest (%)

INITIALED:

FRANCHISOR: _____ DEVELOPER: ___

MANHATTAN BAGEL COMPANY, INC.
DEVELOPMENT AGREEMENT

EXHIBIT D
FRANCHISE AGREEMENT

The form of Franchise Agreement currently offered by Franchisor is attached.

EXHIBIT E

SAMPLE FORM
OF
NON-DISCLOSURE AND NON-COMPETITON AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this _____ day of _____, 20__, by and between _____ (the "**Developer**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Developer (the "**Member**").

RECITALS:

WHEREAS, Manhattan Bagel Company, Inc. ("**MBC**") owns a format and system (the "**System**") relating to the establishment and operation of businesses operating in buildings that bear MBC's interior and exterior trade dress, under the "Manhattan Bagel" name and marks ("**Restaurants**"), and specializing in the sale of proprietary items which currently include bagels, cheese spreads, muffins, gourmet coffee and other special recipe beverages and food items, and such additional proprietary products MBC may specify from time to time ("**Proprietary Products**"), as well as non-proprietary items such as sandwiches, salads, soups, and other beverage items for on-premises and carry-out consumption and such other non-proprietary products MBC may designate from time to time (collectively, the "**Products**");

WHEREAS, MBC and Developer have executed an Area Development Agreement ("**Development Agreement**") granting Developer the right to develop "Manhattan Bagel" Restaurants and to use the Proprietary Marks in connection therewith under the terms and conditions of the Development Agreement;

WHEREAS, the Member, by virtue of his or her position with Developer, will gain access to certain of MBC's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Developer is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Development Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Developer's operation under the terms of the Development Agreement. As used in this Agreement, "**Confidential Information**" will include, but not be limited to, MBC's business concepts and plans, recipes, food preparation methods, equipment, operating techniques,

marketing methods, financial information, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the confidential operating manuals, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, and all related trade secrets or other confidential or proprietary information treated as such by MBC, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made prior to or at the time any Confidential Information is disclosed to Developer or Member. The term "Confidential Information" shall not include information that (a) is disclosed in a printed publication available to the public, or is otherwise in the public domain through no act of Developer or Member, (b) is approved for release by written authorization of an officer of MBC, or (c) is required to be disclosed by proper order of a court of applicable jurisdiction after adequate notice to MBC sufficient to permit MBC to seek a protective order therefore, the imposition of which protective order Developer and Member agrees to approve and support.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Development Agreement, and by virtue of its position with Developer, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of MBC and the System.

(b) Member covenants and agrees that during the term of the Development Agreement, except as otherwise approved in writing by MBC, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Restaurant or of any Restaurant using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with MBC's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Restaurant.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by MBC, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the business operated under the Development Agreement or the Restaurants required to be developed under the Development Agreement and which business is, or is intended to be, located (i) within the Development Area; (ii) within a five (5) mile radius of any Restaurant developed under the Development Agreement; or (iii) within a five (5) mile

radius of any Restaurant under the System at the time the obligations under this Section 2(c) commenced.

(d) As used in this Agreement, the term "same as or similar to the business operated under this Agreement or the Restaurants required to be developed under the Development Agreement" shall mean any other retail business that sells or offers bagels, cream cheese, and/or coffee products that separately or in the aggregate constitute or would constitute thirty percent (30%) or more of that business' gross revenues at any one or more retail location(s).

(e) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 of the Development Agreement; (b) expiration or termination of the Development Agreement (regardless of the cause for termination); (c) termination of Member's employment with Developer; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause MBC irreparable injury, and Member agrees to pay all court costs and reasonable attorney's fees incurred by MBC in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect MBC's and/or Developer's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by MBC or Developer to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that MBC is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

[signature page follows]

IN WITNESS WHEREOF, the Developer and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 20___.

DEVELOPER	MEMBER
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit C
Software License Agreement

SOFTWARE SUBLICENSE

THIS SOFTWARE SUBLICENSE ("Sublicense") is made effective as of _____, 20___, by and between Einstein Noah Restaurant Group, Inc., a Delaware corporation ("ENRG") and _____ ("Franchisee").

RECITALS

A. Franchisee and Manhattan Bagel Company, Inc. ("MBC") are parties to that certain Franchise Agreement dated _____, as amended by _____ _____ (collectively, the "Franchise Agreement").

B. Franchisee is installing new MBC recommended Point of Sale Equipment ("POS Equipment").

C. MBC is a wholly-owned subsidiary of ENRG.

D. ENRG has licensed certain software products as more fully described below (the "Required Software"), for use on the POS Equipment, and has the right under that license to sublicense the Required Software to Franchisee under certain terms and conditions.

E. Franchisee desires to sublicense the Required Software from ENRG to run it POS Equipment and facilitate its sales reporting to MBC, among other things.

AGREEMENT

For the covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Sublicense. ENRG hereby sublicenses to Franchisee the Required Software on the terms and conditions of the Sublicense.

2. Required Software: The required software shall consist of the InFusion™ software licensed to ENRG by ParTech, Inc. ("ParTech") under that certain End User License Agreement, dated _____, (the "Master License").

3. Installation. The Required Software shall be pre-installed on Franchisees' POS Equipment prior to or in connection with the delivery of the POS Equipment. For the term of this Sublicense, Franchise covenants and agrees not to install any software, other than the Required Software and any upgrades or patches issued by ParTech or ENRG, onto the POS Equipment without ENRG's prior written consent.

4. Term. The term of this Sublicense shall be coterminous with the term of ENRG's license under the Master License, unless sooner terminated pursuant to the terms of this Sublicense; provided, however, that in no event shall the term of this Sublicense extend beyond the term of the Franchise Agreement.

5. Sublicense Maintenance Fee. Franchisee shall not be required to pay an initial sublicense fee to ENRG upon the execution of this Sublicense. Franchisee shall be required to pay all applicable software maintenance fees charged to ENRG under the Master License during the term of this Sublicense. All fees shall be paid to ENRG within ten (10) days after ENRG notifies Franchisee of the amount due. The current annual maintenance fee shall be $_____ and is due upon execution of this Sublicense. ENRG makes no representations or warranties with respect to the amount of the annual maintenance fee or the availability of maintenance support in subsequent years. Nothing in this paragraph shall limit MBC's right to charge technology-related fees permitted by the Franchise Agreement.

6. Services. ENRG shall not be required to provide any services as part of this Sublicense. Franchisee shall have the right to and benefit of any services offered by ParTech to ENRG under the Master License, provided Franchisee is not in default of its Franchise Agreement, is current on the payment of all fees required hereunder and is not otherwise in default of this Sublicense.

7. Rights. ENRG and MBC shall have the right to download, receive and use for any legitimate business purpose any of Franchisee's information entered into or stored on the POS Equipment and/or using the Required Software. Without limiting the generality of the foregoing, ENRG and/or MBC may download information Franchisee's sales information to determine royalties and advertising owed to MBC, to analyze transaction data and trends and to develop target marketing.

8. Master License. This Sublicense is subject and subordinate to the Master License. The provisions of the Master License are incorporated into this Sublicense as the agreement of ENRG and Franchisee and are applicable to the Sublicense with the same force and effect as though ENRG was the licensor under the Master License and Franchisee was licensee under the Master License. Franchisee assumes and agrees to be bound by all of Licensee's covenants contained in the Master License with respect to the Required Software. In the event of any conflict between the terms and provisions of the Master License and this Sublicense, the terms and provisions of the Mater License shall prevail and control.

9. Default by Franchisee. Sublicensee shall not cause or allow to be caused any default under the Master License, nor shall Sublicensee permit anything to be done which would cause the Master License to be terminated or forfeited by reason of any right of termination or forfeiture reserved or vested in Licensor under the Master License. In the event of any breach by Sublicensee under the Master License or the Sublicense, ENRG shall have all the rights against Franchisee as would be available to the Licensor against ENRG under the Master License if such breach were by the Licensee

thereunder including, but no limited to, the right to terminate Franchisee's right to possession of the Required Software.

10. Duties Upon Termination. Upon termination of this Sublicense, Franchisee shall immediately cease and desist using the Required Software, remove the Required Software from the POS Equipment, return any media containing the Required Software to ENRG and provide ENRG with a certificate of the Franchisee that it has fully complied with the provisions of this paragraph. Notwithstanding the foregoing, Franchisee and ENRG agree that ENRG may take any actions available to it to render the Required Software unusable or inaccessible to Franchisee upon termination. Nothing in this paragraph is intended to limit Franchisee's right to license the Required Software from ParTech after termination of this Sublicense.

11. Indemnification. In addition to all other obligations it may have under this Sublicense, Franchisee shall indemnify, defend and hold ENRG harmless from and against any losses, liabilities, obligations, damages, costs and expenses (including reasonable attorneys' fees and costs) arising out of any default under the Sublicense or the Master License caused by Franchisee or its employees, agents, or contractors.

12. ENRG Duty. ENRG shall duly and punctually perform all of its obligations under the Master License.

13. Assignment of Sublicense. Franchisee shall not assign or otherwise transfer, pledge, or hypothecate this Sublicense or the Required Software, or any interest therein, and shall not further sublicense the Required Software or any part thereof, or any right or privilege appurtenant thereof, or permit any other party to use the Required Software, or any portion thereof.

14. Cross-Default. Any default hereunder shall also constitute a default by Franchisee of the Franchise Agreement.

15. Severability. Should any of the provisions of this Sublicense to any extent be held to be invalid or unenforceable, the remainder of this Sublicense shall continue in full force and effect.

16. Entire Agreement. This Sublicense and the Franchise Agreement embody the entire understanding and agreement among the parties relative to the matters contained herein, and supersedes all prior negotiations, understandings or agreements in regard thereto, whither written or oral.

17. Waiver. No provision of this Sublicense may be waived, except by an agreement in writing signed by all of the parties hereto. A waiver of any term or provision shall not be construed as a waiver of any other term or provision.

18. Headings. The subject headings used in this Sublicense are included for purposes of reference only, and shall not affect the construction or interpretation of its provisions.

19. Amendment. This Sublicense may be amended, altered or revoked only by written instrument executed by all of the parties.

20. Construction. All terms used in this Sublicense shall have the same meaning as assigned to them in the Master License and the Franchise Agreement, except as otherwise expressly provided herein.

21. Binding Effect. This Sublicense shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

The parties have executed this Agreement to be effective as of the date first above written.

ENRG:	FRANCHISEE
Einstein Noah Restaurant Group, Inc., a Delaware corporation	_____ _____
By: _____ Name: _____ Its: _____	By: _____ Name: _____ Its: _____

EXHIBIT D
LIST OF ADMINISTRATORS

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with 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	**NEW YORK** New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8285
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (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, 2nd 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, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7th 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 E
AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with 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:

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	**NEW YORK** New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (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, 2nd 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, 1st 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, 1st Floor Lansing, Michigan 48913 / (517) 335-7567	**WASHINGTON** Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th 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 F
LIST OF MANHATTAN BAGEL FRANCHISEES

Manhattan Bagel – Franchisees
(as of December 31, 2024)

Store Number	Manhattan Bagel Franchisee	Street Address	City	State	Zip	Phone Number
4224	Middletown MBC LLC	400 W Main St	Middletown	DE	19709	(302) 378-8404
4174	P.K.D. LLC	3209B Concord Pike	Wilmington	DE	19803	(302) 477-0700
4222	Jayhind Inc.	3505 Silverside Road Concord Plaza	Wilmington	DE	19810	(302) 543-7498
4214	Nadine's Food Service, LLC	4610 N University Dr	Coral Springs	FL	33067	(954) 340-3233
4192	Casbury, Inc.	8040 Providence Rd Ste 200	Charlotte	NC	28277	(704) 541-0833
4226	Dot Best, Inc.	709 Broadway	Bayonne	NJ	07002	(201) 354-9100
4182	Ohana Food Corp	333 Atlantic City Blvd	Bayville	NJ	08721	(732) 237-0055
4208	DAP Enterprise Inc	702 Route 70	Brick	NJ	08723	(732) 477-7443
4242	Raelyn Corporation	600 East Main Street	Bridgewater	NJ	08807	(908) 588-2590
4180	Jyoti Bagel Company	190 Barclay Farm	Cherry Hill	NJ	08034	(856) 795-4944
4212	AEL Bagels, LLC	1199 Amboy Ave	Edison	NJ	08837	(732) 549-9010
4244	English Creek Bagels LLC	6041 Black Horse Pike	Egg Harbor	NJ	08234	(609) 867-6904
4176	Kun S Yi	445 Market St	Elmwood Park	NJ	07407	(201) 475-1115
4227	Daisy Hospitality Corp	14 W Palisade Ave	Englewood	NJ	07631	(201) 816-0008
4223	Sabrina II LLC	435 Hollywood Ave	Fairfield	NJ	07004	(973) 227-2228
4255	AJ&M Bagels LLC	39 NJ-31	Flemington	NJ	08822	(908) 968-3571
4184	Gallos Café LLC	336 Lacey Road	Forked River	NJ	08731	(609) 242-1616
4219	RSGAK Inc	297 Route 72 W	Manahawkin	NJ	08050	(609) 978-1788
4210	PNR Foods, LLC	2300 Wrangleboro Rd	Mays Landing	NJ	08330	(609) 484-1366
4205	Ohmisha Inc	13 W Camden Ave	Moorestown	NJ	08057	(856) 802-1083
4206	Niki's Bagels LLC	1205 Tilton Rd # &RT9	Northfield	NJ	08225	(609) 646-3604
4239	Seema Bagel, LLC	807 Deal Ave	Ocean	NJ	07712	(732) 693-5695
4199	Radhekishan, LLC	500 Memorial Pkwy	Phillipsburg	NJ	08865	(908) 454-5623
4218	Akram Kwaik	29 Eisenhower Pkwy	Roseland	NJ	07068	(973) 226-4440
4169	Jaffa Food Services, Inc.	881 Main St	Sayreville	NJ	08872	(732) 525-0696
4168	The Country Bagel Company, Inc.	100 Summerhill Rd	Spotswood	NJ	08884	(732) 251-8857
4220	AYA Food Corp	25 Union Pl	Summit	NJ	07901	(908) 516-2641
4172	MTM Restaurant Group Inc	860 Fischer Blvd	Toms River	NJ	08753	(732) 929-3998
4178	PAK Food Corp.	1822A Hooper Ave	Toms River	NJ	08753	(732) 864-0200

Store Number	Manhattan Bagel Franchisee	Street Address	City	State	Zip	Phone Number
4190	Wail Abukwaik	14 Route 37 E	Toms River	NJ	08753	(732) 240-0177
4225	L&M Bagels LLC	650 Union Blvd	Totowa	NJ	07512	(973) 785-2275
4216	Triple J Bagel, LLC	1350Galloping Hill Road	Union	NJ	07083	(908) 687-4900
4231	MB Spring Lake Inc	1933 Route 35	Wall Township	NJ	07719	(732) 974-3988
4229*	Om Namah Shivaya	163 Hamburg Turnpike	Wayne	NJ	07470	(973) 925-4000
4203	GM Daily Bread Corp	764 Bloomfield Ave	West Caldwell	NJ	07006	(973) 808-5193
4230	NM Food Corp	581 E Northfield Rd	West Orange	NJ	07051	(973) 669-0160
4170	Sy n Pat Bagel Company	210 South Ave W	Westfield	NJ	07090	(908) 654-0525
4228	Crumb1 Corp	321 Route 15	Wharton	NJ	07885	(973) 328-2619
4177	Vyas & Vyas Enterprises, Inc.	3058 W Tilghman St	Allentown	PA	18104	(610) 433-8555
4260	Sahaj 88 LLC	968 County Line Road	Bryn Mawr	PA	19010	(610) 520-2221
4211	Greico-Bradley Management, LLC	5 E Butler Ave	Chalfont	PA	18914	(215) 997-8100
4193	Sena and Sohana Corp	487 Uwchlan Ave	Chester Springs	PA	19425	(484) 874-2133
4201	Swami Bagel, LLC	500 Chesterbrook Blvd	Chesterbrook	PA	19087	(610) 251-0600
4217	SEJN,Inc	1456 Ferry Road	Doylestown	PA	18901	(215) 348-1669
4259	Grieco-Bradley Management LLC	139 North Booth #3	Dublin	PA	18917	(215) 650-9855
4209	Shiy Bagel Corp.	313 E Street Rd	Feasterville Trevose	PA	19053	(215) 942-9505
4198	Tony Rubin	4 S Macdade Blvd	Glendolen	PA	19036	(610) 237-0586
4204	Kavya Ohm Corp.	477 E County Line Rd	Hatboro	PA	19040	(215) 773-8232
4173	PK, Inc	1345 W Chester Pike	Havertown	PA	19083	(610) 789-9230
4233	Lansdale MB, LLC	401 S. Broad Street	Landsale	PA	19446	(215) 647-9990
4202	MNR PA LLC	108 N Flowers Mill Rd	Langhorne	PA	19047	(215) 702-0528
4262	Girsix LLC	28 Double Woods Rd	Langhorne	PA	19047	(215) 583-5533
4179	Shri Siddivinayak, Inc.	502 E Baltimore Pike	Media	PA	19063	(610) 891-7790
4185	Narberth Bagel Co.	856 Montgomery Ave	Narberth	PA	19072	(610) 668-0400
4194	Glee Bagel Inc	3530 W Chester Pike	Newtown	PA	19073	(610) 359-6223
4183	Girtwo Inc.	1210 Bethlehem Pike	North Wales	PA	19454	(215) 619-0155
4261	PK Mart Inc	33 East Lincoln Highway	Penndel	PA	19010	(215) 647-3200
4171	Dwiti Co	13032 Bustleton Ave	Philadelphia	PA	19116	(215) 677-6066
4200	Schuylkill Pro Foods LLC	125 S 18th St	Philadelphia	PA	19103	(215) 564-4340
4188	Schuykill Pro Foods LLC	6001 Ridge Ave	Philadelphia	PA	19128	(215) 508-3633
4207	Girfour Inc.	722 2nd Street Pike	Richboro	PA	18954	(215) 942-2244
4253	Girfive Inc	707 Street Road	Southampton	PA	18966	(215) 494-9453

Store Number	Manhattan Bagel Franchisee	Street Address	City	State	Zip	Phone Number
4221	VIA Company Inc. Inc.	1661 Easton Road Ste B6	Warrington	PA	18976	(215) 491-3333
4196	GRI Bagels, Inc.	200 York Road	Willow Grove	PA	19090	(215) 658-0144
4195	Chul Bro Inc.	5710 Union Mill Rd	Clifton	VA	20124	(703) 830-4992
4175	JK Virginia, Inc.	310 Maple Ave W	Vienna	VA	22180	(703) 938-8100
4189	Colonial Bagels LLC	1437 Richmond Rd	Williamsburg	VA	23185	(757) 259-9221

LIST OF MANHATTAN BAGEL DEVELOPERS

None.

LIST OF LICENSED STORES

(As of December 31, 2024)

None.

LIST OF FORMER FRANCHISEES AND DEVELOPERS

(As of December 31, 2024)

LIST OF FORMER LICENSEES

(As of December 31, 2024)

Galburne Inc.
562 Rte. 33 E Business
Freehold, NJ 07728
(732) 294-9500

EXHIBIT G
LIST OF MANHATTAN BAGEL COMPANY–OWNED RESTAURANTS

(As of December 31, 2024)

None.

Exhibit H
Financial Statements and Guarantee

CONSOLIDATED FINANCIAL STATEMENTS

Caribou Coffee Company, Inc. and Subsidiaries
(A Majority-Owned Subsidiary of Caribou Coffee Holdings, LLC)
As of December 31, 2024 and December 26, 2023; and for the Fiscal Years
Ended December 31, 2024, December 26, 2023 and December 27, 2022
With Report of Independent Registered Public Accounting Firm

COFFEE & BAGEL BRANDS

Caribou COFFEE | BRUEGGER'S BAGELS | EINSTEIN BROS BAGELS | Manhattan BAGEL | NOAH'S NY BAGELS

Caribou Coffee Company, Inc. and Subsidiaries

Consolidated Financial Statements

As of December 31, 2024 and December 26, 2023;
and for the Fiscal Years Ended December 31, 2024, December 26, 2023, and December 27, 2022

Contents

Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
Caribou Coffee Company, Inc

Opinion

We have audited the consolidated financial statements of Caribou Coffee Company, Inc (a Delaware corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and December 26, 2023, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the three years ended December 31, 2024, December 26, 2023, and December 27, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and December 26, 2023, and the results of its operations and its cash flows for the three years ended December 31, 2024, December 26, 2023, and December 27, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 audits. We believe that the audit evidence 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for

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one year after the date the consolidated 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 consolidated 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 US 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 of the consolidated financial statements.
- Conclude whether, in our judgment, 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 findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Denver, Colorado
March 27, 2025

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands (except share information))

	December 31, 2024	December 26, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 69,161	$ 75,357
Trade accounts receivable, net	17,930	27,649
Other accounts receivable	1,635	1,514
Inventories	19,011	28,267
Prepaid expenses and other assets	5,117	4,479
Total current assets	112,854	137,266
Operating lease assets	258,184	237,322
Property and equipment, net	181,735	145,182
Other assets:		
Goodwill	341,885	384,813
Trademarks, net	457,500	457,500
Other intangible assets, net	4,487	7,370
Note receivable	89,842	-
Deposit and other	2,263	2,307
Total other assets	895,977	851,990
Total assets	$ 1,448,750	$ 1,371,760
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 47,463	$ 86,504
Accrued expenses	98,974	69,713
Current operating lease liabilities	61,033	57,646
Current portion of long-term debt	2,124	3,841
Total current liabilities	209,594	217,704
Long-term debt, net of unamortized discount	76,711	266,820
Deferred income taxes, net	103,301	100,840
Long-term operating lease liabilities	227,058	208,793
Other long-term liabilities	105,071	5,092
Total long-term liabilities	512,141	581,545
Commitments and contingencies		
Noncontrolling interests subject to put provisions	52,454	57,070
Shareholders' equity:		
Caribou Coffee Company, Inc. and Subsidiaries shareholders'		
Common stock, par value $0.01; 28,000,000 shares authorized;		
21,315,011 shares issued and outstanding at December 31, 2024 and December 26, 2023, respectively	213	213
Additional paid-in capital	413,561	310,382
Retained earnings	257,865	201,902
Total shareholders' equity before non-controlling interest	671,639	512,497
Noncontrolling interest	2,922	2,944
Total shareholders' equity	674,561	515,441
Total liabilities and shareholders' equity	$ 1,448,750	$ 1,371,760

Refer to the accompanying notes as an integral part of these consolidated financial statements.

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Fiscal Year Ended		
	December 31, 2024	**December 26, 2023**	**December 27, 2022**
Coffeehouse and bagel bakery sales	$ 928,364	$ 859,563	$ 792,112
Franchise royalties and fees	29,393	26,126	23,426
Franchise advertising sales	5,277	4,347	4,017
Franchise and commercial product sales	98,930	161,441	150,136
Net sales	1,061,964	1,051,477	969,691
Cost of goods sold	226,684	216,401	203,878
Labor	272,016	248,045	240,207
Occupancy	91,836	85,519	83,686
Other operating expenses	144,214	132,419	113,309
Total coffeehouse and bagel bakery expense	734,750	682,384	641,080
Franchise operations and other expenses	3,276	3,406	2,307
Ad fund expense franchise	5,277	4,408	4,017
Franchise and commercial product cost of goods sold	74,289	126,434	116,077
Depreciation and amortization	45,304	40,071	40,926
General and administrative expenses	117,472	102,607	85,453
Pre-opening expenses	4,614	2,450	2,830
Total costs and expenses	984,982	961,760	892,690
Operating income	76,982	89,717	77,001
Interest expense, net	2,990	16,186	18,100
Pre-tax income	73,992	73,531	58,901
Income tax expense	16,297	13,991	8,686
Net income	**$ 57,695**	**$ 59,540**	**$ 50,215**
Less net income attributable to noncontrolling interest	1,732	1,800	1,531
Net income attributable to Caribou Coffee Company, Inc. and Affiliates	**$ 55,963**	**$ 57,740**	**$ 48,684**

Refer to the accompanying notes as an integral part of these consolidated financial statements.

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Fiscal Year Ended		
	December 31, 2024	**December 26, 2023**	**December 27, 2022**
Net income	**$ 57,695**	$ 59,540	$ 50,215
Other comprehensive income			
Unrealized gain on cash flow hedges, net of tax expense of $0, $0, and $283 for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively	–	–	817
Reclassification of loss on cash flow hedge, net of tax benefit of $0, $0, and $825 for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively	–	–	2,375
Settlement of PNC derivative securities and novation of BNP and Rabo derivative securities	–	–	475
Comprehensive income attributable to Caribou Coffee Company, Inc. and Subsidiaries	**57,695**	59,540	53,882
Less net comprehensive income attributable to noncontrolling interest	**1,732**	1,800	1,531
Comprehensive income attributable to Caribou Coffee Company, Inc. and Subsidiaries	**$ 55,963**	$ 57,740	$ 52,351

Refer to the accompanying notes as an integral part of these consolidated financial statements.

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands, except share information)

	Non-controlling interests subject to put provisions	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, December 28, 2021	$ 27,144	21,125,385	$ 211	$ 336,689	$ 3,286	$ (3,462)	$ 95,478	$ 459,346
Net income	759	-	-	-	772	-	48,684	50,215
Adjustments required under tax sharing agreement	-	-	-	766	-	-	-	766
Stock based compensation expense	7,465	-	-	-	-	-	-	7,465
Accrued interest on shareholder note receivable	(43)	-	-	-	-	-	-	(43)
Unrealized gain on derivative securities, net of income tax	12	-	-	-	-	805	-	817
Reclassification of loss on cash flow hedge, net of tax benefit	35	-	-	-	-	2,340	-	2,375
Settlement of PNC derivative securities and novation of BNP and Rabo derivative securities	158	-	-	355	-	317	-	830
Distribution of non-controlling interest	-	-	-	-	(1,145)	-	-	(1,145)
Changes in noncontrolling interest from:								
Distributions (repurchases), including repayments on shareholder notes receivable	(3,623)	-	-	(324)	-	-	-	(3,947)
Contributions (share issuances), net of shareholder notes receivable	1,031	-	-	-	-	-	-	1,031
Fair value remeasurements	25,614	-	-	(25,614)	-	-	-	-
Balance, December 27, 2022	$ 58,552	21,125,385	$ 211	$ 311,872	$ 2,913	$ -	$ 144,162	$ 517,710
Net income	840	-	-	-	960	-	57,740	59,540
Adjustments required under tax sharing agreement	-			830				830
Stock based compensation expense	9,790	-	-	-	-	-	-	9,790
Accrued interest on shareholder note receivable	(58)	-	-	-	-	-	-	(58)
PBI equity contribution	-	189,626	2	18,796	-	-	-	18,798
Dividend	(302)	-	-	(18,472)	-	-	-	(18,774)
Distribution of noncontrolling interest	-	-	-	-	(929)	-	-	(929)
Changes in noncontrolling interest from:								
Distributions (repurchases), including repayments on shareholder notes receivable	(15,673)	-	-	-	-	-	-	(15,673)
Contributions (share issuances), net of shareholder notes receivable	1,277	-	-	-	-	-	-	1,277
Fair value remeasurements	2,644	-	-	(2,644)	-	-	-	-
Balance, December 26, 2023	57,070	21,315,011	213	310,382	2,944	-	201,902	572,511
Net income	823	-	-	-	909	-	55,963	57,695
Divestiture of Roastery Operations	1,378	-	-	95,017	-	-	-	96,395
Adjustments required under tax sharing agreement	-	-	-	971	-	-	-	971
Stock based compensation expense	13,023	-	-	-	-	-	-	13,023
Accrued interest on shareholder note receivable	(188)	-	-	-	-	-	-	(188)
Distribution of noncontrolling interest	-	-	-	-	(931)	-	-	(931)
Changes in noncontrolling interest from:								
Distributions (repurchases), including repayments on shareholder notes receivable	(1,773)	-	-	-	-	-	-	(1,773)
Contributions (share issuances), net of shareholder notes receivable	1,002	-	-	-	-	-	-	1,002
Cancellations of outstanding shares	(11,690)	-	-	-	-	-	-	(11,690)
Fair value remeasurements	(7,191)	-	-	7,191	-	-	-	-
Balance, December 31, 2024	52,454	21,315,011	213	413,561	2,922	-	257,865	727,015

Refer to the accompanying notes as an integral part of these consolidated financial statements.

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended		
	December 31, 2024	December 26, 2023	December 27, 2022
OPERATING ACTIVITIES:			
Net income (loss)	$ 57,695	$ 59,540	$ 50,215
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	45,190	39,951	40,086
Amortization of deferred financing fees	588	685	1,552
Stock-based compensation	13,023	9,790	7,465
Deferred income taxes	(1,695)	262	8,736
Impairment of restaurant assets	114	120	840
Right of use asset impairment charges	52	40	2,029
Losses on disposal of assets	378	538	1,113
(Benefit from) provision for losses on accounts receivable	(161)	1	38
Other	2,829	2,405	2,197
Changes in operating assets and liabilities:			
Trade and other accounts receivable, net	8,955	1,692	1,829
Inventories	1,340	(3,266)	(3,282)
Prepaid expenses and other	(726)	302	(1,166)
Deposits and other	(123)	7,192	(125)
Accounts payable	(38,630)	362	10,599
Accrued expenses	19,131	(6,228)	(6,543)
Operating lease assets and lease liabilities	(4,862)	(7,307)	(7,743)
Other long-term liabilities	(8,689)	918	(2,740)
Net cash provided by operating activities	94,409	106,997	105,100
INVESTING ACTIVITIES:			
Payments for property and equipment	(85,284)	(42,757)	(41,196)
Proceeds from disposal of property and equipment	(3)	38	13
Net cash used in investing activities	(85,287)	(42,719)	(41,183)
FINANCING ACTIVITIES:			
Distribution of noncontrolling interest	(931)	(929)	(1,145)
Issuances of noncontrolling interests subject to put provisions	1,002	1,277	1,031
Repurchases of noncontrolling interests subject to put provisions	(1,601)	(15,673)	(4,447)
Proceeds on line of credit	-	-	313,000
Repayments on line of credit	(45,000)	(45,000)	(373,000)
Settlement of canceled shares	(239)	-	-
Settlement of cash flow hedge liability	-	-	(262)
Proceeds from term loan	-	-	86,875
Term loan repayments	(3,549)	(4,346)	(89,375)
Dividends	-	(18,774)	-
Proceeds from intercompany note receivebale	35,000	-	-
Payment of debt financing fees	-	-	(2,308)
Net cash used in financing activities	(15,318)	(83,445)	(69,631)
Net (decrease) increase in cash, cash equivalents & restricted cash	(6,196)	(19,167)	(5,714)
Cash, cash equivalents and restricted cash, beginning of period	75,357	94,524	100,238
Cash, cash equivalents and restricted cash, end of period	$ 69,161	$ 75,357	$ 94,524

Refer to the accompanying notes as an integral part of these consolidated financial statements.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
As of December 31, 2024 and December 26, 2023; and for the
Fiscal Years Ended December 31, 2024, December 26, 2023 and December 27, 2022

1. Business and Summary of Significant Accounting Policies

Description of Business

Caribou Coffee Company, Inc. (the Company or CCCI) is the parent company of certain consolidated subsidiaries that comprise its two business units namely, the Coffee business unit and the Bagel Brands business unit. The Coffee business unit (or Caribou), including Caribou Coffee Operating Company (CCOC), Caribou Coffee Development Company, Inc. and Caribou MSP Airport, operate, franchise and license Caribou Coffee branded retail coffeehouses. These subsidiaries sell high-quality premium coffee and espresso-based beverages, foods, and coffee lifestyle items. The Bagel Brands business unit (ENRGI), including Einstein Noah Restaurant Group, Inc. and its subsidiary, Bruegger's Enterprises, Inc. (BEI), operate franchise and license specialty bagel bakeries in the United States under the Einstein Bros. Bagels (Einstein Bros.), Noah's New York Bagels (Noah's), Manhattan Bagel Company (Manhattan Bagel), and Bruegger's Bagels brands. Bagel Brands also sells its high quality bagels through grocery, club and foodservice distribution channels.

The Company is a majority–owned subsidiary of Caribou Coffee Holdings, LLC (a Delaware limited liability company), which is an indirect wholly–owned subsidiary of Panera Brands, Inc. (PBI), a Delaware corporation.

As of December 31, 2024, Caribou operated 335 company-owned retail coffeehouses and franchised/licensed 501 locations across 19 states. Of the 501 franchised/licensed locations, 349 operate internationally, primarily in the Middle East. ENRGI operated 538 company-owned retail bagel bakeries and franchised/licensed 454 locations across 45 states.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries, CCOC and ENRGI. CCOC consolidates Caribou MSP Airport, a partnership in which CCOC owns a 49% interest and operates six coffeehouses at the Minneapolis/St. Paul International Airport. CCOC bears all the risk of loss but does not control all decisions that may have a significant effect on the success of the venture. Therefore, CCOC consolidates the Caribou MSP Airport, as it is the primary beneficiary in this variable interest entity. All material intercompany balances and transactions have been eliminated in consolidation.

1. Business and Summary of Significant Accounting Policies (continued)

Noncontrolling Interest

Noncontrolling interests subject to put provisions in the Company's consolidated financial statements includes a 0.15% interest in CCCI, a 1.20% interest in CCOC, and a 1.28% interest in ENRGI as of December 31, 2024. The Company consolidates the financial results of CCOC and ENRGI. The noncontrolling owner's share of net assets and results of operations are deducted and reported as a noncontrolling interest on the consolidated balance sheets and as net income attributable to noncontrolling interest in the consolidated statements of operations.

Noncontrolling interest in the Company's consolidated financial statements represents the 51% interest in Caribou MSP Airport. Since the Company consolidates the financial statements of Caribou MSP Airport, the noncontrolling owner's share of Caribou MSP Airport's net assets and results of operations are deducted and reported as a noncontrolling interest on the consolidated balance sheets and as net income attributable to noncontrolling interest in the consolidated statements of operations.

Fiscal Year End

Beginning with the fiscal year ending December 26, 2023, the Company's fiscal year ends on the last Tuesday in December, consistent with Panera Bread, a reportable segment of Panera Brands, Inc. Prior to that, the Company's fiscal year ended on the Tuesday closest to December 31. The three most recent fiscal years consisting of 53, 52, and 52 weeks, respectively, ended on December 31, 2024, December 26, 2023, and December 27, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements. Actual results may differ from those estimates, and such differences may be material to the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. All credit and debit card transactions that process in less than seven days are classified as cash and cash equivalents. The amounts due from banks for these credit and debit card transactions classified as cash total $3.0 million and $1.9 million as of December 31, 2024 and December 26, 2023, respectively.

1. Business and Summary of Significant Accounting Policies (continued)

Restricted Cash

The Company's restricted cash consists of franchisee paid funds which are earmarked as advertising fund contributions. Restricted cash of $1.0 million and $2.3 million as of December 31, 2024 and December 26, 2023, respectively, is included in cash and cash equivalents on the Company's consolidated balance sheets.

Concentrations of Risk

The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances, and management believes its credit risk to be minimal.

Fair Value Measurements

The fair value measurement accounting standard provides a framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. The standard establishes a valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on independent market data sources. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available.

The valuation hierarchy is composed of three categories. The categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The categories within the valuation hierarchy are described as follows:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

1. Business and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Company's financial instruments typically consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, note receivable, interest rate swap derivatives and debt. The fair values of accounts receivable and accounts payable approximate their carrying values, due to their short-term nature. The fair value of the Company's long-term debt approximates carrying value because the applicable interest rates are variable and reflect current market rates. Refer to Note 6 for more information on the fair value of interest rate swap derivatives.

Trade Accounts Receivable, Net and Other Accounts Receivable

Trade accounts receivable, net consists primarily of amounts due to the Company from related parties such as Peet's and KDP, other commercial customers, its franchisees and licensees for purchases of products from the Company, royalties due to the Company from franchisee and licensee sales, information technology services provided to franchisees, and catering on-account sales.

As of December 31, 2024, other accounts receivable consisted primarily of $1.3 million of sublease income receivable from subtenants and a $0.3 million foreign tax receivable. As of December 26, 2023, other accounts receivable consisted primarily of $1.0 million of sublease income receivable from subtenants and a $0.4 million foreign tax receivable.

Allowance for Credit Loss on Accounts Receivable

Management evaluates the expected credit loss of an asset on an individual basis, except in cases where assets collectively share similar risk characteristics where they are pooled together. The Company maintains an allowance based upon expected credit losses of outstanding accounts receivable. The Company evaluates and estimates this allowance for credit loss by considering reasonable, relevant, and supportable available information using a variety of factors, including historical collection and loss patterns; the current aging of receivables; customer-specific credit risk factors (when warranted); and probable future economic conditions which inform adjustments to historical loss patterns. The provision for expected credit losses is recorded in general and administrative expenses in the accompanying consolidated statements of operations. Accounts receivable deemed to be uncollectible are written off, net of expected or actual recoveries. A summary of the allowance for credit loss on accounts receivable is as follows (in thousands):

Fiscal Year Ended	Beginning Balance	Additions	Deductions	Ending Balance
December 31, 2024	$ 324	$ 128	$ (289)	$ 163
December 26, 2023	$ 324	$ 268	$ (268)	$ 324

1. Business and Summary of Significant Accounting Policies (continued)

Inventories

Raw materials consist primarily of coffee beans and bagel ingredients. Finished goods include roasted coffee, tea, bagels, packaged foods, and accessory products and supplies. Caribou inventories are stated at the lower of weighted average cost or net realizable value while ENRGI inventories are stated at the lower of first-in, first-out cost or net realizable value.

Property and Equipment

Property and equipment are stated on the basis of cost less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over the assets' estimated useful lives of one to twenty years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the related initial non-cancelable lease term, excluding renewal option terms, which is generally five to ten years, unless it is reasonably assured that the renewal option term is going to be exercised.

Capitalization of Internal Construction Costs

The Company capitalizes direct costs associated with the construction of new coffeehouses and bagel bakeries that would not have been incurred had the site-specific lease not been obtained. The Company capitalized $0.7 million, $0.6 million, and $0.7 million of such costs during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. These costs are amortized over the initial lease term of the underlying leases.

Asset Retirement Obligations

The Company has certain asset retirement obligations, primarily associated with leasehold improvements, whereby at the end of a lease, the Company is contractually obligated to remove such leasehold improvements in order to comply with the lease agreement. At the inception of a lease with such conditions, the Company records an asset retirement obligation liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. The liability is estimated based on a number of assumptions requiring management's judgment, including store closing costs and discount rates, and is accreted to its projected future value over time. The capitalized asset is depreciated using the estimated useful life for depreciation of leasehold improvement assets. Upon satisfaction of the asset retirement obligation conditions, any difference between the recorded asset retirement obligation liability and the actual retirement costs incurred is recognized as an operating gain or loss in the Company's financial statements in the period incurred. There were no net operating gains recorded for the fiscal years ended December 31, 2024 and December 26, 2023, and December 27, 2022, respectively.

1. Business and Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations (continued)

Total asset retirement obligation expense was less than $0.1 million for each of the fiscal years ended December 31, 2024, December 26, 2023, and December 27 2022, and is included in costs of sales and related occupancy costs and depreciation and amortization. As of December 31, 2024 and December 26, 2023, the Company's net asset retirement obligation asset included in property, plant and equipment, net of accumulated depreciation and amortization was less than $0.1 million for each fiscal year, while the Company's net asset retirement obligation liability was equal to $0.1 million and $0.3 million for the fiscal years ended December 31, 2024 and December 26, 2023.

Operating Leases and Rent Expense

The Company leases all coffeehouse and bagel bakery locations as well as its corporate office spaces under operating leases. The Company also has equipment leases that qualify as operating leases. The Company determines if an arrangement is a lease at inception. The Company has lease agreements with lease and non-lease components, which are generally accounted for separately.

Right of use assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. The Company includes short-term leases, or leases with a term of twelve months or less, in its right of use asset and lease liability calculations. Operating leases are included in operating lease assets, current operating lease liabilities, and long-term operating lease liabilities on the Company's consolidated balance sheets. Operating right of use lease assets and obligations are recognized at the commencement date, which is the date we take possession of the property, based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the commencement date in determining the present value of lease payments. The right of use asset also includes any lease payments made less upfront lease incentives received from the lessor.

The Company's lease terms generally include rent escalation clauses and options to extend or terminate the lease upon exercise of the lease option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Additionally, tenant allowances used to fund leasehold improvements are recognized when earned and reduce our right of use asset related to the lease. These are amortized through the operating lease asset as reductions of expense over the lease term. Refer to Note 10 for more information on leases.

1. Business and Summary of Significant Accounting Policies (continued)

Deferred Financing Fees

The Company capitalizes the costs incurred to issue debt. These costs are included as a component of current portion of long-term debt and long-term debt, net of unamortized discount on the Company's consolidated balance sheets as of December 31, 2024 and December 26, 2023, respectively. The costs are being amortized over the life of the debt agreement on a straight-line basis, which approximates the effective interest method.

Goodwill

Goodwill represents the excess of the acquisition costs over estimated fair value of assets acquired, less liabilities assumed. For financial accounting and reporting purposes, the Company reports results for its two business units as follows: (1) the Coffee business unit, including CCOC, Caribou Coffee Development Company, Inc. and Caribou MSP Airport, and (2) the Bagel Brands business unit, including ENRGI and its consolidated subsidiary, BEI. Within the two business units, the Company has allocated its goodwill into its seven reporting units and analyzes for impairment accordingly. These reporting units are defined as Coffee Retail, Coffee Commercial, Coffee Domestic Franchise & Licensing, Coffee International Franchise & Licensing, Bagels Retail, Bagels Commercial, and Bagels Domestic Franchise & Licensing.

The Company had gross goodwill of $341.9 million and $384.8 million as of December 31, 2024 and December 26, 2023, respectively. No additional goodwill was recognized for the fiscal years ended December 31, 2024 and December 26, 2023. During the fiscal year ended December 31, 2024, the Company wrote off the goodwill associated with its Coffee Commercial reporting unit and eliminated that reporting unit as a result of the sale of a group of assets associated with the production, marketing, distribution, and sale of Caribou-branded packaged coffee products. Refer to Note 3 for more information on the sale and its impact on the Company's goodwill.

The Company tests goodwill for impairment annually or upon the occurrence of events that may indicate possible impairment. When assessing the recoverability of goodwill, the Company may first perform an assessment of qualitative factors. We may elect to skip the qualitative assessment and proceed directly to the quantitative analysis, for any reporting unit, in any period. If we do not perform a qualitative assessment, or if we determine it is not more-likely-than-not that the fair value of the reporting unit exceeds its carrying amount, the Company assesses goodwill for impairment through a quantitative analysis, utilizing a discounted cash flow approach, which incorporates assumptions regarding future growth rates, terminal values, and discount rates. This process compares the estimated fair value of each reporting unit to the reporting unit's carrying value, including goodwill. The Company recognizes a goodwill impairment charge for the amount by which the reporting unit's carrying amount exceeds its fair value. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not to be impaired. If circumstances change significantly that would indicate a possible impairment, the Company would also test a reporting unit's goodwill for impairment at an interim date between its annual tests.

1. Business and Summary of Significant Accounting Policies (continued)

Goodwill (continued)

For the fiscal years ended December 31, 2024 and December 26, 2023, the Company elected to perform a qualitative assessment for its annual review of goodwill to determine whether or not indicators of impairment exist. As a result of the qualitative assessment, no indicators of impairment were identified that would require further testing for impairment. There were no goodwill impairment charges for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022.

Intangible Assets and Liabilities

Intangible assets primarily represent the tradenames for the Company's brands, contractual customer relationships including franchise, K-cup® pods coffee supply and concession agreements, and reacquired franchise rights. All tradenames except for one, Manhattan Bagel, have been assigned an indefinite life and are reviewed for impairment annually. All other intangible assets and liabilities are amortized on a straight-line basis over their estimated useful lives.

For the fiscal years ended December 31, 2024 and December 26, 2023, the Company elected to perform a qualitative assessment for its annual review of intangibles to determine whether or not indicators of impairment exist. As a result of the qualitative assessment, no indicators of impairment were identified that would require further testing for impairment. The Company did not have any impairment of indefinite-lived intangible assets during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022.

Self-Insurance Reserves

The Company provides for workers' compensation, general liability and employee healthcare benefits claims using a combination of self-insurance and third party liability insurance. The Company is responsible for a portion of the claims costs for workers' compensation, general liability and employee healthcare benefits and accrues a liability for the estimate of the ultimate cost of the claim incurred and unpaid as of the balance sheet date. The workers' compensation and general liability is based upon an estimate from a third party actuary, while the employee healthcare benefits liability is based upon the Company's analysis of both current and historical data. These liabilities are included in accrued expenses. The Company also maintains stop-loss coverage with third party insurers which limits the exposure from workers' compensation liability, general liability and employee healthcare benefits claims.

1. Business and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets and Disposal of Long-Lived Assets

The Company reviews long-lived assets, including right of use assets and certain definite-lived intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future undiscounted net cash flows expected to be generated by the asset group. If such asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the fair value of the assets. In accordance with Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, when a right of use asset related to an operating lease is impaired, the Company amortizes the remaining right of use asset on a straight-line basis over the remaining lease term, similar to the accounting a lessee would apply to finance type leases.

The Company recorded impairment charges of $0.2 million during the fiscal year ended December 31, 2024, comprised of $0.1 million and less than $0.1 million of leasehold improvement impairments and right of use asset impairments, respectively, which were recorded in depreciation and amortization expense and occupancy expense, respectively, in the Company's consolidated statements of operations.

The Company recorded impairment charges of $0.2 million during the fiscal year ended December 26, 2023, comprised of $0.1 million and $0.1 million of leasehold improvement impairments and right of use asset impairments, respectively, which were recorded in depreciation and amortization expense and occupancy expense, respectively, in the Company's consolidated statements of operations.

The Company recorded store impairment charges of $2.9 million during the fiscal year ended December 27, 2022, comprised of $0.9 million and $2.0 million of leasehold improvement impairments and right of use asset impairments, respectively. The impairment charges were recorded in depreciation and amortization expense in the Company's consolidated statements of operations.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Stock Compensation

The Company maintains a long-term incentive equity plan, which provides for the granting of non-qualified stock options and restricted stock to officers, certain key employees and certain non-employees. For the fiscal year ended December 28, 2021 and prior fiscal years, the Company issued restricted stock awards and non-qualified stock options that generally vest four and half years from the date of grant. The Company continued to issue these awards under the same vesting

1. Business and Summary of Significant Accounting Policies (continued)

Stock Compensation (continued)

schedule to only its executive employees during the fiscal year ended December 27, 2022. For certain other key employees and non-employees, during the fiscal years ended December 31, 2024,

December 26, 2023, and December 27, 2022, the Company issued restricted stock awards that vest 60% 30 months from the date of grant, vest an additional 20% 42 months from the date of grant, and vest the final 20% 54 months from the date of grant. The awards the Company granted to executive employees during the fiscal years ended December 31, 2024 and December 26, 2023 also vest 60% 30 months from the date of grant, vest an additional 20% 42 months from the date of grant, and vest the final 20% 54 months from the date of grant. The plan includes provisions for the grantee, after the satisfaction of a six month holding period, to sell the vested shares to the Company in exchange for the current fair value of the shares. The Company has the option to call outstanding vested shares in exchange for the current fair value of the shares. CCOC and ENRGI also maintain long-term incentive equity plans with terms identical to the Company's long term incentive plan.

Restricted stock units are valued based on the grant date fair value of the shares. The fair value of the shares is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics. The estimated grant date fair value of stock options was calculated using Black-Scholes option-pricing model. The estimated grant date fair value of each stock-based award is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period (generally the vesting period).

Coffeehouse and Bagel Bakery Location Preopening and Closing Expenses

Costs incurred in connection with start-up and promotion of new coffeehouse and bagel bakery openings are expensed as incurred and are included in operating expenses in the consolidated statements of operations. The Company incurred $4.6 million, $2.5 million, and $2.8 million of coffeehouse and bagel bakery pre-opening expenses during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. When a coffeehouse or bagel bakery is closed, the remaining carrying amount of property and equipment, net of expected recovery value, is charged to operations. For coffeehouses and bagel bakeries under operating lease agreements, the estimated liability under the lease is also accrued. In accordance with ASU No. 2016-02, *Leases (Topic 842),* lease termination liabilities are included in the balance of the Company's right of use assets. Refer to Note 19 for more closed store information.

1. Business and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Retail Revenue

The Company recognizes retail coffeehouse/bagel bakery sales for products and services when payment is tendered at the point of sale, as the performance obligation has been satisfied. Company-operated retail coffeehouse/bagel bakery revenues are reported excluding sales, use or other transaction taxes collected from customers, which are remitted to various tax jurisdictions. Accordingly, sales taxes have no effect on the Company's reported net sales in the accompanying consolidated statements of operations.

Product and Royalty Revenue

Sales of coffee, food, and related products to commercial, franchise or online customers is generally recognized upon shipment, depending on contract terms, as control typically transfers and performance obligations are typically met upon shipment. Pursuant to Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Company has elected to account for shipping and handling as fulfillment costs. Shipping charges billed to commercial, franchise, or online customers are recognized as revenue, and the expense of such shipping and handling costs is included in cost of sales, as incurred. ENRGI includes the shipping and handling fee in the total product price. The Company recorded shipping revenue of $2.7 million, $2.5 million, and $1.8 million during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively.

During the fiscal years ended December 26, 2023 and December 27, 2022 and during the first quarter of the fiscal year ended December 31, 2024, the Company sold Caribou Coffee branded coffee to Peet's Coffee and Tea, LLC (Peet's, JDE, or JDE Peet's) and Keurig Dr. Pepper (KDP), affiliates of Panera Brands, Inc., and recognized revenue when the performance obligation was met, defined in the contract as the passage of title and risk of loss to the customer, generally upon shipment of product. Additionally, the Company received royalties from Peet's and KDP for all Caribou Coffee branded product sold to Peet's and KDP's consumer package goods (CPG) customers. Royalty revenue was recognized as the performance obligations were met and was included in franchise and commercial product sales in the accompanying consolidated statements of operations. As stated in Note 3 below, during the first quarter of the fiscal year ended December 31, 2024, CCOC agreed to sell a group of assets (the "Transferred Assets") associated with the production, marketing, distribution, and sale of Caribou-branded packaged coffee products (the Transferred Assets, together with the Tradename License, the "Caribou CPG business") to JDE. The Transaction closed on March 26, 2024 (the "Closing Date"). Refer to Note 3 for more details regarding the sale.

1. Business and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Franchise Revenue

The Company's franchise agreements typically require upfront franchise fees such as initial fees paid upon opening of a store and fees paid to renew the term of the franchise right. Fees are recognized over the term of the related franchise license for the respective coffeehouse or bagel bakery on a straight-line basis, which is consistent with the Company's performance obligations under the agreements and the franchisee's right to use and benefit from the intellectual property.

Advertising Cooperatives

The Company participates in various advertising cooperatives with its franchisees. These advertising cooperatives are established to collect and administer funds contributed for use in advertising and promotional programs designed to increase sales and enhance the reputation of the Company and its franchise owners. Contributions to the advertising cooperatives are required for franchise coffeehouses or bagel bakeries. Franchisees remit to the Company a percentage of coffeehouse or bagel bakery sales, and the cooperatives are required to spend all funds collected on advertising and promotional programs. Revenues for these services are typically billed and paid monthly. The Company has determined the advertising services provided to franchisees are highly interrelated with the franchise right and therefore not a distinct performance obligation.

Total advertising cooperative revenue was $5.3 million, $4.3 million, and $4.0 million for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. Expenses incurred to provide these services were $5.3 million, $4.4 million, and $4.0 million for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively.

Stored Value Cards

The Company sells stored value cards of various denominations. Cash receipts related to stored value card sales are deferred when initially received and revenue is recognized when the card is redeemed and the related products are delivered to the customer. Such deferred revenue amounts are classified as accrued expenses in the Company's consolidated balance sheets.

The Company will honor all stored value cards presented for payment; however, the Company has determined that the likelihood of redemption is remote for certain card balances due to long periods of inactivity and historical redemption patterns. To the extent management determines there is no requirement for remitting balances to government agencies under unclaimed property laws, card balances may be recognized in the consolidated statements of operations. The Company uses the proportional model and recognizes the estimated value of abandoned cards as a percentage of every stored value card redeemed and includes the amount in coffeehouse and bagel bakery sales. Gift card breakage income of $3.5 million, $3.1 million, and $3.3 million was recognized in

1. Business and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Stored Value Cards (continued)

coffeehouse and bagel bakery sales in the consolidated statements of operations for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. All revenue is recognized net of any discounts, returns, allowances, and sales incentives, including coupon redemptions and rebates.

Advertising

Advertising costs are expensed as incurred except for production costs related to major radio, television or media campaigns which are expensed in the period when the advertisement is initially aired/distributed. Advertising expenses aggregated approximately $42.1 million, $35.1 million, and $29.5 million for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. As of December 31, 2024 and December 26, 2023, the Company had $0.8 million and $0.6 million of prepaid advertising expenses, respectively, which are included as a component of prepaid expenses and other assets on the Company's consolidated balance sheets.

Supply Chain Financing

As part of the Company's ongoing efforts to improve cash flow and related liquidity, the Company negotiates with suppliers to optimize terms and conditions, which include the extension of payment terms not to exceed 365 days. The Company also has agreements with third-party administrators to allow participating suppliers to sell payment obligations from the Company to financial institutions, if voluntarily elected by the supplier. Suppliers can sell one or more of the Company's payment obligations at their sole discretion and the rights and obligations of the Company to its suppliers are not impacted. The Company has no economic interest in a supplier's decision to enter into these agreements. The Company's obligations to its suppliers, including amounts due and scheduled payment terms, are not impacted. All outstanding payments owed under the programs are recorded within accounts payable in the consolidated balance sheets. All payment activities related to the supplier finance programs are presented within the increase (decrease) in accounts payable line in the consolidated statements of cash flows.

1. Business and Summary of Significant Accounting Policies (continued)

Supply Chain Financing (continued)

A summary of significant changes to outstanding payment obligations due to suppliers under supplier finance programs is presented below (in thousands):

	Fiscal Year Ended December 31, 2024
Confirmed obligations outstanding, beginning of fiscal year	$ 44,943
Invoices confirmed during the fiscal year	7,372
Confirmed invoices paid during the fiscal year	(44,943)
Confirmed obligations outstanding at end of fiscal year	$ 7,372

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A deferred tax asset or liability is recognized whenever there are future tax effects from existing temporary differences, operating losses and tax credit carryforwards. If the Company determines that a deferred tax asset could be realized in a greater or lesser amount than recorded, the asset's recorded amount is adjusted, and the consolidated statements of operations are either credited or charged, respectively, in the period during which the determination is made.

Though the validity of any tax position is a matter of tax law, the body of statutory, regulatory, and interpretive guidance on the application of the law is complex and often ambiguous. Because of this, whether a tax position will ultimately be sustained may be uncertain. The Company's recognition of an uncertain tax position is dependent on whether or not that position is more likely than not of being sustained upon audit by the relevant taxing authority. If an uncertain tax position is more likely than not to be sustained, the position must be recognized at the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained. Refer to Note 15 for more information.

1. Business and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued guidance which updates income tax disclosures related to the rate reconciliation and requires disclosure of income taxes paid by jurisdiction. The guidance also provides further disclosure comparability. The guidance is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance is to be applied prospectively; however, retrospective application is permitted. The Company is currently evaluating this guidance to determine its impact on the Company’s disclosures.

In November 2024, the FASB issued guidance that requires public entities to disaggregate, in a tabular presentation, certain income statement expenses into different categories, such as purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The guidance is effective for fiscal years beginning after December 15, 2026. The guidance is to be applied prospectively; however, retrospective application is permitted. The Company is currently evaluating this guidance to determine its impact on the Company's consolidated financial statements and disclosures.

2. Revenue

Disaggregation of Revenue

Financial information relating to our operations by line of business is as follows:

	Fiscal Year Ended		
(in thousands)	December 31, 2024	December 26, 2023	December 27, 2022
Coffeehouse and bagel bakery sales	$ 928,364	$ 859,563	$ 792,112
Franchise royalties and fees	29,393	26,126	23,426
Franchise advertising sales	5,277	4,347	4,017
Product sales:			
Franchise	41,390	45,763	38,870
Commercial	57,540	115,678	111,266
Total franchise and commercial product sales	98,930	161,441	150,136
Net sales	$ 1,061,964	$ 1,051,477	$ 969,691

Sublease income, reported within coffeehouse and bagel bakery sales on the consolidated statements of operations, was $0.3 million, $0.3 million, and $0.5 million for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. Total future minimum sublease rental income is $0.4 million as of December 31, 2024.

2. Revenue (continued)

Contract Liabilities

The Company has contract liabilities which comprise unamortized upfront fees received from franchisees. A summary of significant changes to the unamortized upfront franchise fee liability balance, included within accrued expenses on the consolidated balance sheets, is presented below.

(in thousands)	Not yet amortizing*	Amortizing	Total
Balance at December 27, 2022	$ 1,148	$ 3,092	$ 4,240
Additions:			
Upfront fees associated with amortizing contracts that were effective in prior periods due to the adoption of ASC 606	(337)	337	-
Upfront fees associated with amortizing contracts that became effective during the fiscal year ended December 26, 2023	1,363	826	2,189
Less:			
Revenue recognized that was included in unamortized upfront fees received from licensees/franchisees	-	(755)	(755)
Voided contracts prior to store opening	(10)	-	(10)
Balance at December 26, 2023	$ 2,164	$ 3,500	$ 5,664
Additions:			
Upfront fees associated with amortizing contracts that were effective in prior periods due to the adoption of ASC 606	(353)	353	-
Upfront fees associated with amortizing contracts that became effective during the fiscal year ended December 31, 2024	640	546	1,186
Less:			
Revenue recognized that was included in unamortized upfront fees received from licensees/franchisees	-	(821)	(821)
Voided contracts prior to store opening	(26)	-	(26)
Balance at December 31, 2024	$ 2,425	$ 3,578	$ 6,003

*"Not yet amortizing" includes deferred upfront fees for stores that have not yet opened and therefore have not yet begun the amortization process.

2. Revenue (continued)

Contract Liabilities (continued)

The Company expects to recognize amortizing upfront franchise fees as revenue over the remaining term of the associated franchise agreement as follows (in thousands):

Fiscal year	Amount
2025	610
2026	505
2027	437
2028	378
2029	315
2030 and thereafter	1,333
	$ 3,578

The Company also has contract liabilities for its stored value cards. Revenue from stored value cards is recognized upon card redemption. The Company's stored value cards do not expire. Based on historical redemption rates, a small and relatively stable percentage of stored cards will never be redeemed, referred to as "breakage." Estimated breakage revenue is recognized over time in proportion to actual stored value card redemptions. A summary of significant changes to the stored value card liability balance, included within accrued expenses on the consolidated balance sheets, is presented below (in thousands):

Balance at December 27, 2022	$ 11,763
Stored value cards issued during the period	129,722
Stored value cards redeemed during the period	(126,849)
Breakage	(3,082)
Balance at December 26, 2023	$ 11,554
Stored value cards issued during the period	159,021
Stored value cards redeemed during the period	(157,066)
Settlement of escheat liability	(948)
Breakage	(3,524)
Balance at December 31, 2024	$ 9,037

3. Divestiture

On January 18, 2024, CCOC entered into an asset purchase agreement (the "APA") and license agreement (the "License Agreement") with JDEP Blue Moon, Inc., a consolidated subsidiary of JDE Peets N.V. ("JDE"). JDE and the Company are under common control. Under the terms of the License Agreement, CCOC granted JDE the global, exclusive right to produce, market, distribute, and sell Caribou-branded packaged coffee products for an initial period of 40 years, with two automatic renewal terms of 40 years each (the "Tradename License"). Under the terms of the APA, CCOC agreed to sell a group of assets (the "Transferred Assets") associated with the production, marketing, distribution, and sale of Caribou-branded packaged coffee products (the Transferred Assets, together with the Tradename License, the "Caribou CPG business") to JDE.

The Caribou CPG business includes (i) manufacturing and commercializing Caribou-branded packaged coffee products worldwide, other than in Caribou retail locations ("Retail CPG") and (ii) manufacturing and commercializing Caribou-branded packaged coffee products for colleges and universities, corporate offices and campuses, healthcare, hotels, and other food service channels worldwide ("Food Service"). Goodwill of $42.9 million associated with the Caribou CPG business had previously been recorded in the Coffee Commercial reporting unit. On the closing date of the Transaction, the Company wrote off the goodwill associated with its Coffee Commercial reporting unit and eliminated that reporting unit.

PBI received cash consideration of $268.5 million on behalf of CCOC for the transaction. CCOC recognized $211.5 million of the consideration as an equity transaction from the sale of a business to an entity under common control. CCOC recognized the remaining $57.0 million of the consideration as deferred revenue, as it has a continuing performance obligation to support the use of its brand by JDE, including providing access to certain intellectual property. As the inputs to determine the fair value of the deferred revenue relate to discounted projected sales over the life of the contract are unobservable, the Company considers this to be a Level 3 liability. Refer to Note 21 for more information regarding the proceeds from the Transaction.

CCOC will recognize the deferred revenue on a straight-line basis over the estimated economic life of the arrangement of 25 years. CCOC's obligations to maintain the Caribou brand and other intellectual property are generally constant throughout the term of the arrangement. Accordingly, a straight-line recognition pattern is reflective of how CCOC will satisfy its performance obligations.

In connection with the transaction, CCOC entered into a supply agreement with JDE under which JDE will roast and supply coffee beans and Caribou-branded consumer-packaged goods for sale in Caribou Coffee retail locations. The supply agreement has an initial period of ten years, with three ten-year renewal terms.

4. Goodwill

The following is a reconciliation of the beginning and ending balances of the Company's goodwill by reportable segment (in thousands):

	Fiscal Year Ended		
	December 31, 2024	December 26, 2023	December 27, 2022
Coffee Retail	$ 83,415	$ 83,415	$ 83,415
Coffee Commercial	-	42,929	42,929
Coffee Domestic Franchise & Licensing	23,569	23,568	23,568
Coffee International Franchise & Licensing	12,770	12,770	12,770
Bagels Retail	129,381	129,381	129,381
Bagels Commercial	9,017	9,017	9,017
Bagels Domestic Franchise & Licensing	83,733	83,733	83,733
	$ 341,885	$ 384,813	$ 384,813

For the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, the Company elected to perform a qualitative assessment for its annual review of goodwill to determine whether indicators of impairment exist. As a result of the qualitative assessment, no indicators of impairment were identified. There were no goodwill impairment charges for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022.

5. Intangible Assets and Liabilities

Intangible assets and liabilities consist of the following (in thousands):

	As of December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible assets not subject to amortization:			
Tradenames	$ 457,500	$ -	$ 457,500
Intangible assets subject to amortization:			$ -
Customer relationships	9,295	(9,295)	$ -
Tradename (Manhattan Bagel)	3,700	(3,700)	$ -
Reacquired franchise rights	957	(949)	$ 8
Franchise agreements	35,470	(35,396)	$ 74
K-cup coffee supply agreement	4,800	(4,800)	$ -
Concession agreement	10,900	(6,495)	$ 4,405
Total intangible assets subject to amortization	65,122	(60,634)	$ 4,487
Total intangible assets	$ 522,622	$ (60,634)	$ 461,987

5. Intangible Assets and Liabilities (continued)

	As of December 26, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible assets not subject to amortization:			
Tradenames	$ 457,500	$ -	$ 457,500
Intangible assets subject to amortization:			
Customer relationships	9,295	(9,185)	110
Tradename (Manhattan Bagel)	3,700	(3,700)	-
Reacquired franchise rights	957	(913)	44
Franchise agreements	35,470	(33,414)	2,056
K-cup coffee supply agreement	4,800	(4,590)	210
Concession agreement	10,900	(5,950)	4,950
Total intangible assets subject to amortization	65,122	(57,752)	7,370
Total intangible assets	$ 522,622	$ (57,752)	$ 464,870

The Company recognized net intangible asset amortization expense of $2.8 million, $3.5 million, and $4.4 million during each of the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively, included in depreciation and amortization expense in the consolidated statements of operations.

The Company assigned the following useful lives to its intangible assets:

	Useful life	Location of Amortization Expense
Tradenames	Indefinite	–
Tradename (Manhattan Bagel)	6.5 years	Depreciation and amortization
Customer relationships	8-10 years	Depreciation and amortization
Franchise agreements	6.5-10 years	Depreciation and amortization
K-cup coffee supply agreement	10 years	Depreciation and amortization
Reacquired franchise rights	5-8.8 years	Depreciation and amortization
Concession agreement	20 years	Depreciation and amortization

5. Intangible Assets and Liabilities (continued)

The Company estimates that amortization expense related to intangible assets will be as follows for the next five fiscal years (in thousands):

	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Fiscal 2029	Thereafter	Total
Reacquired franchise rights	$ 8	$ -	$ -	$ -	$ -	$ -	$ 8
Franchise agreements	27	27	20	-	-	-	74
Concession agreement	545	545	545	545	545	1,680	4,405
Total	$ 580	$ 572	$ 565	$ 545	$ 545	$ 1,680	$ 4,487

6. Derivative Financial Instruments

The Company evaluates various strategies in managing its exposure to market-based risks, such as entering into derivative transactions to manage its exposure to fluctuating interest rates. For those cash flow hedges that have been designated and qualify as an effective accounting hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive loss, and subsequently reclassified into net earnings when the hedged exposure affects net income (loss). For those cash flow hedges that are not designated or do not qualify as an effective accounting hedge, the entire derivative gain or loss is recorded in interest expense, net on the consolidated statements of operations as incurred.

On July 2, 2018, the Company entered into an interest rate swap with BBVA Compass Bank pursuant to an ISDA Master Agreement. During 2021, PNC Financial Services Group acquired the U.S. subsidiary of BBVA, and as a result, the Company's interest rate swap was then held at PNC (the Bank). The Company entered into the interest rate swap agreement to mitigate its risk on $350 million of the Company's total outstanding debt under its amended and restated credit facility dated as of October 5, 2017. The interest rate swap was designated as a cash flow hedge. It had an effective date of July 2, 2018, a trade date of July 3, 2018, and a termination date of October 5, 2022. The Company was required to make certain variable rate interest payments to the Bank based on a one-month LIBOR rate calculated on an initial notional amount of $350 million, with annual amortizing reductions of the notional from $350 million to $250 million by its termination date. The Company paid or received payment for the difference between the swap rate of 2.7825% and the variable rate, effectively fixing the annual interest rate payable on the outstanding notional amount of the Company's total outstanding debt at 2.7825%, plus an applicable margin rate ranging from 1.25% to 2.00%. To the extent the hedge was effective, changes in fair value were recorded in other comprehensive income. To the extent the hedge was ineffective, changes in fair value were recorded as a charge/credit to income.

6. Derivative Financial Instruments (continued)

Changes in fair value of the interest rate swaps were recorded as a component of accumulated other comprehensive income (AOCI) in the consolidated balance sheets. The Company reclassified the effective gain or loss from AOCI to interest expense, net in the consolidated statements of operations at the time of the forecasted transaction. The following table presents pre-tax gains and losses on the interest rate swaps recognized in other comprehensive income (OCI) and reclassified from AOCI to earnings for the periods indicated (in thousands):

	Fiscal Year Ended		
	December 31, 2024	December 26, 2023	December 27, 2022
Net gains recognized in OCI before reclassifications	$ -	$ -	$ 1,100
Net losses reclassified from AOCI to earnings	$ -	$ -	$ 3,200

The Company did not recognize a gain or loss due to hedge ineffectiveness during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022.

During June 2022, in connection with the Company's debt refinancing, the Company paid $0.3 million to terminate a portion of its interest rate swap and novated its remaining $0.4 million interest rate swap balance to Panera Brands, Inc. No gain or loss was recorded as a result of the swap novation. The final payment on the terminated swap equaled the fair value of the interest rate swap at the time of its termination, and a gain of $0.1 million was recognized as a result of the transaction. The Company does not hold or use derivative instruments for trading purposes.

The Company does not have any derivatives that are not designated as hedging instruments and has not designated any non-derivatives as hedging instruments.

7. Fair Value Measurements

Recurring Fair Value Measurements

The following table presents the assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 (in thousands):

	Total December 31, 2024	Level 1	Level 2	Level 3
Noncontrolling interests subject to put provision	$ 36,089			$ 36,089
Total mezzanine equity	**$ 36,089**	**$ -**	**$ -**	**$ 36,089**

7. Fair Value Measurements (continued)

Recurring Fair Value Measurements (continued)

The following table presents the financial liabilities measured at fair value on a recurring basis as of December 26, 2023 (in thousands):

	Total December 26, 2023	Level 1	Level 2	Level 3
Noncontrolling interests subject to put provision	$ 63,121	$ -	$ -	$ 63,121
Total mezzanine equity	**$ 63,121**	**$ -**	**$ -**	**$ 63,121**

The fair value of noncontrolling interests subject to put provision is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics.

Nonrecurring Fair Value Measurements

Certain nonfinancial assets, primarily property, plant, and equipment, right of use assets, goodwill and intangible assets, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, these assets are required to be assessed for impairment whenever events or circumstances indicate that their carrying value may not be fully recoverable, and at least annually for goodwill and indefinite-lived intangible assets. In the event an impairment is required, the asset is adjusted to fair value, using market-based assumptions.

The fair value of non-financial assets measured at fair value on a non-recurring basis, which is classified as Level 3 in the fair value hierarchy, is determined based on appraisals or sales prices of comparable assets and estimates of future cash flows.

As of December 31, 2024, long-lived assets held and used with a carrying amount of $0.7 million associated with distinct underperforming Company-owned coffeehouses and bagel bakeries and Company-owned coffeehouses and bagel bakeries were determined to have a fair value of $0.5 million, resulting in an impairment loss of $0.2 million.

As of December 26, 2023, long-lived assets held and used with a carrying amount of $0.9 million associated with distinct underperforming Company-owned coffeehouses and bagel bakeries were determined to have a fair value of $0.7 million, resulting in an impairment loss of $0.2 million.

As of December 27, 2022, long-lived assets held and used with a carrying amount of $9.0 million associated with distinct underperforming Company-owned coffeehouses and bagel bakeries were determined to have a fair value of $6.1 million, resulting in an impairment loss of $2.9 million.

7. Fair Value Measurements (continued)

Nonrecurring Fair Value Measurements (continued)

Impairment charges on coffeehouse and bagel bakery assets and right of use assets are classified as Level 3 within the fair value hierarchy. Impairments of property and equipment, net are recorded within depreciation and amortization expense in the consolidated statements of operations. Impairments of operating lease assets are recorded within occupancy expense in the consolidated statements of operations for the fiscal years ended December 31, 2024 and December 26, 2023 and within depreciation and amortization expenses for the fiscal year ended December 27, 2022.

8. Inventories

Inventories consist of the following (in thousands):

	December 31, 2024	December 26, 2023
Coffee	**$ 733**	$ 10,903
Raw materials	**849**	652
Finished goods	**17,429**	16,712
Total	**$ 19,011**	$ 28,267

9. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31, 2024	December 26, 2023
Leasehold improvements	**$ 233,045**	$ 200,639
Machinery and equipment	**154,776**	161,751
Computer software	**22,677**	17,775
Furniture and fixtures	**57,487**	54,911
Smallwares	**3,395**	3,035
Construction in progress	**19,158**	10,115
	490,538	448,226
Less accumulated depreciation and amortization	**(308,803)**	(303,044)
Total	**$ 181,735**	$ 145,182

The Company recorded depreciation expense related to these assets of $42.5 million, $36.5 million, and $35.7 million for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively, reported in depreciation and amortization in our consolidated statements of operations. Depreciation expense for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022 includes equipment and leasehold improvement impairments of less than $0.1 million, $0.1 million, and $0.9 million, respectively. Repair and maintenance expenses are reported in the following lines in our consolidated statements of operations as follows (in thousands):

	Fiscal Year Ended		
Repair and Maintenance Expenses Included in the Statement of Operations Line	**December 31, 2024**	**December 26, 2023**	**December 27, 2022**
Other operating expenses	**$ 21,603**	$ 21,945	$ 16,985
General and administrative expenses	**800**	1,480	783
Total	**$ 22,403**	$ 23,425	$ 17,768

The Company capitalized $1.0 million, $0.7 million, and $0.6 million of costs incurred in cloud computing service arrangements that are service contracts during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. These amounts are included in property and equipment, net on the consolidated balance sheets.

10. Leases

Lease expenses are reported in cost of sales and related occupancy costs in the consolidated statements of operations. Certain leases provide for contingent (variable or percentage) rent, which is determined as a percentage of gross sales in excess of specified levels. The components of lease expense were as follows (in thousands):

	Fiscal year ended		
	December 31, 2024	December 26, 2023	December 27, 2022
Operating lease expense	**$ 68,854**	$ 63,629	$ 62,170
Variable lease expense	**22,925**	21,833	19,482
Non-lease components	**20,977**	19,949	19,023
Total	**$ 112,756**	$ 105,411	$ 100,675

Supplemental cash flow information related to leases follows (in thousands):

	Fiscal year ended		
	December 31, 2024	December 26, 2023	December 27, 2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows related to operating leases	**$ 75,460**	$ 70,888	$ 69,984
Right of use assets obtained in exchange for new operating lease liabilities	**$ 40,820**	$ 22,208	$ 20,601

The Company monitors for events or changes in circumstances that may require a reassessment of one of its leases and determines if a remeasurement is required.

As of December 31, 2024, the weighted-average remaining lease term and discount rate were as follows:

	Weighted-Average Remaining Lease Term (Years)	Weighted-Average Discount Rate [1]
Operating leases	5.7	6.3%

[1] The Company cannot determine the interest rate implicit in its leases. Therefore, the discount rate used in determining the present value of lease payments represents the Company's incremental borrowing rate, which is determined based on the risk-free rate, adjusted for the risk premium attributed to the Company's credit rating for a secured or collateralized debt instrument.

10. Leases (continued)

Future minimum lease payments under non-cancelable operating leases as of December 31, 2024 were as follows:

Fiscal Year	Operating Leases
2025	77,030
2026	69,434
2027	55,850
2028	42,939
2029	31,039
Thereafter	65,282
Total future minimum lease payments	$ 341,574
Less: imputed interest	(53,483)
Present value of minimum lease payments	$ 288,091

11. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	December 31, 2024	December 26, 2023
Compensation and related employment taxes	**$ 27,844**	$ 18,752
Key employee retirement settlements	**11,585**	-
Loyalty program	**10,593**	10,149
Gift card liability	**9,037**	11,554
Insurance	**7,356**	6,508
Taxes, other than income tax	**6,602**	5,253
Capital expenditures	**5,475**	5,898
Occupancy costs	**3,118**	2,639
Deferred license revenue	**2,280**	-
Utilities	**1,516**	1,653
Advertising	**1,271**	2,170
Deferred revenue	**1,100**	1,017
Interest payable	**(8)**	-
Due from related parties	**(1,268)**	(562)
Other	**12,473**	4,682
Total	**$ 98,974**	$ 69,713

11. Accrued Expenses (continued)

A key executive on the PBI management team retired from PBI, effective December 31, 2024. That executive had outstanding shares, restricted stock awards, and stock options in ENRG, all of which were settled upon the retirement date. $11.6 million associated with payments to be made under this retirement agreement during 2025 have been accrued as of December 31, 2024.

The Company self-insures a portion of the exposure for costs related to employee healthcare, workers' compensation, and general liability. The Company utilizes third party actuarial experts' estimates of expected losses based on statistical analyses of the Company's actual historical data and historical industry data to determine required self-insurance reserves. The assumptions are closely reviewed, monitored, and adjusted when warranted. Estimated accruals for these liabilities could be affected if actual experience related to the number of claims and cost per claim differ from these assumptions and historical trends. As of December 31, 2024 and December 26, 2023, self-insurance reserves were $7.4 million and $6.5 million, respectively, and were included in accrued expenses in the consolidated balance sheets. Total amounts expensed for self-insurance were $20.4 million, $19.1 million, and $17.4 million for fiscal 2024, fiscal 2023, and fiscal 2022, respectively. Expenses are recorded based on actuarial estimates for reported and incurred but not reported claims considering several factors, including historical claims experience, severity factors, litigation costs, inflation, and other actuarial assumptions.

12. Debt

On October 5, 2017, the Company entered into an amended and restated credit agreement (as amended by that certain First Amendment to Amended and Restated Credit Agreement, dated as of July 20, 2018, that certain Second Amendment, Consent and Waiver to Amended and Restated Credit Agreement, dated as of December 6, 2018, that certain Third Amendment to Amended and Restated Credit Agreement, dated as of May 24, 2019, that certain Fourth Amendment to Amended and Restated Credit Agreement, dated as of June 30, 2020 and that certain Fifth Amendment to Amended and Restated Credit Agreement, dated as of April 28, 2021, collectively, the "Bank Agreement"). The Bank Agreement provided for term loans in an aggregate principal amount of $100.0 million and $375.0 million of revolving commitments. The initial proceeds from the Bank Agreement were used to refinance existing indebtedness and pay costs associated with an acquisition.

As of December 28, 2021, the Company had total borrowings of $402.4 million under the Bank Agreement, composed of term loan borrowings of $89.4 million and borrowings under the revolving credit facility of $313.0 million, and outstanding letters of credit of $9.8 million resulting in $52.2 million of available capacity under the Bank Agreement. The Company refinanced the Bank Agreement pursuant to the PBI Credit Facility (as defined below) on June 15, 2022. All amounts were paid in full.

12. Debt (continued)

Panera Brands, Inc. Credit Facility

On June 15, 2022, Panera Brands, Inc. entered into a new credit agreement (the PBI Credit Facility). The PBI Credit Facility provided for term loans in two tranches with an aggregate principal amount of $1 billion each and a revolving credit facility in an aggregate principal amount of $1 billion. The initial proceeds from the PBI Credit Facility were used in part to refinance the Bank Agreement described above and to fund working capital needs for Panera Brands, Inc. The revolving credit facility is available for general corporate purposes for Panera Brands, Inc. and its subsidiaries, including the Company.

Borrowings under the PBI Credit Facility accrue interest at a rate, per annum, equal to, in the case of "base rate" borrowings, the greater of (x) a prime rate, (y) the NYFRB Rate (as defined in the PBI Credit Facility) plus 0.50% and (z) the Adjusted Term SOFR Rate (as defined in the PBI Credit Facility) for a one month interest period plus a leverage-based margin of 0.25% to 1.00%. In the case of term benchmark borrowings, such borrowings under the PBI Credit Facility accrue interest at a rate, per annum, equal to the Adjusted Term SOFR Rate plus a leverage-based margin of 1.25% to 2.00%. Applicable interest rates are subject to a 0.00% SOFR floor. Letters of credit and unused revolver fees accrue based on a leverage-based fee. At December 31, 2024, the interest rate on the term loans and revolving credit facility was 6.2%.

The revolving credit facility and one tranche of term loans under the PBI Credit Facility matures five years after closing, and the second tranche of term loans under the PBI Credit Facility matures three years after closing. The maturity date of any credit facility under the PBI Credit Facility may be extended by an additional year with the consent of the applicable lenders. Pursuant to this extension option, each of the revolving credit facility and the five-year term loan tranche may be extended on two occasions and the three-year term loan tranche may be extended on one occasion. On May 7, 2024, the Company extended the maturity date of the second tranche of term loans under the PBI Credit Facility from June 15, 2025 to June 15, 2026. The obligations under the PBI Credit Facility are collateralized by substantially all of the assets of Panera Brands, Inc. and certain subsidiaries of Panera Brands that guarantee the PBI Credit Facility, including those of the Company. If an event of default occurs under the PBI Credit Facility, the lenders could elect to declare all amounts outstanding under the PBI Credit Facility to be immediately due and payable and enforce their interests against collateral pledged under the agreements.

As of December 31, 2024, PBI had total borrowings of $2,401.8 million under the PBI Credit Facility, composed of Panera Brands term loans of $1,775.0 million and borrowings under the Panera Brands revolving credit facility of $626.8 million, and outstanding letters of credit of $22.0 million, resulting in $351.2 million of available capacity under the PBI Credit Facility. As of December 31, 2023, PBI had total borrowings of $2,511.8 million under the PBI Credit Facility, composed of Panera Brands term loans of $1,875.0 million and borrowings under the Panera Brands revolving credit facility of $636.8 million, and outstanding letters of credit of $21.3 million, resulting in $341.9 million of available capacity under the PBI Credit Facility.

12. Debt (continued)

Panera Brands, Inc. Credit Facility (continued)

The PBI Credit Facility contains customary negative covenants which, among other things, generally limited (with certain exceptions): mergers, amalgamations, or consolidations; the incurrence of additional indebtedness (including guarantees); the incurrence of additional liens; the sale, assignment, lease or conveyance or transfer of assets; certain investments and restricted payments (including to the Company); transactions with affiliates; engaging in materially different lines of business; swap agreements; and other activities customarily restricted in similar financing agreements. The PBI Credit Facility contains customary affirmative covenants, representations and warranties and events of default. The PBI Credit Facility also contains a financial covenant in which Panera Brands, Inc. shall not permit the Total Net Leverage Ratio (as defined in the PBI Credit Facility) to exceed 5.50x. Panera Brands, Inc. is in compliance with all financial covenants under the PBI Credit Facility as of December 31, 2024.

The PBI Credit Facility required a "Qualifying IPO" (as defined in the PBI Credit Facility) to occur on or prior to June 15, 2023. Within 10 business days after the occurrence of a "Qualifying IPO", Panera Brands, Inc. is also required to repay $160.0 million of outstanding borrowings under the PBI Credit Facility. A "Qualifying IPO" includes certain public issuances of common equity interests, SPAC transactions, and cash contributions to, and issuances of, qualified equity interests that, in each case, generate gross proceeds of not less than $660.0 million. On June 1, 2023, Panera Brands, Inc. sold 3,424,835 shares of common stock to Panera Brands Holdings L.P., the direct parent of Panera Brands, Inc., in exchange for $660.0 million. The sale of the common stock to Panera Brands Holdings L.P. in exchange for $660.0 million satisfied the definition of a "Qualifying IPO", as defined in the Company Credit Facility. In connection with the occurrence of the "Qualifying IPO," Panera Brands, Inc. repaid $500.0 million of certain indebtedness of Panera Brands, Inc. and its subsidiaries and repaid $160.0 million of outstanding borrowings under the Panera Brands, Inc. revolving credit facility.

On June 25, 2022, Panera Brands, Inc. and the Company entered into an Intercompany Loan Agreement, which allocates a portion of the PBI Credit Facility to the Company: term loans in two tranches with an aggregate principal amount of $86.9 million each and a revolving credit facility in an aggregate principal amount of $374.8 million. The terms and covenants of the Intercompany Loan Agreement require the Company to comply with the terms and covenants of the PBI Credit Facility.

As of December 31, 2024, the Company had total borrowings of $79.5 million under the Intercompany Loan Agreement, composed of term loan borrowings of $41.7 million and borrowings under the revolving credit facility of $37.8 million, and outstanding letters of credit of $11.1 million resulting in $325.8 million of available capacity under the Intercompany Loan Agreement. As of December 31, 2024, the caption current portion of long-term debt in the consolidated balance sheets includes borrowings of $2.5 million under the Intercompany Loan Agreement, composed of principal payments due within twelve months of December 31, 2024, and $0.3 million of deferred financing fees.

12. Debt (continued)

Panera Brands, Inc. Credit Facility (continued)

The following table summarizes annual maturities of debt during the next five fiscal years and thereafter as of December 31, 2024 (in thousands):

Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Fiscal 2029	Thereafter	Total
$ 2,463	$ 5,223	$ 71,811	$ -	$ -	$ -	$ 79,497

In connection with the acquisition of the PBI Credit Facility and Intercompany Loan Agreement, the Company paid debt acquisition costs of $2.3 million during the fiscal year ended December 27, 2022. These costs have been capitalized as deferred financing fees. Deferred financing fees on the consolidated balance sheets as of December 31, 2024 and December 26, 2023 totaled approximately $1.1 million and $1.7 million, respectively. Amortization expense of deferred financing fees, including write-offs of debt acquisition costs associated with the Bank Agreement in 2022, totaled $0.6 million, $0.7 million, and $1.6 million for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation

Caribou Coffee Company, Inc. Long-Term Incentive Plan and Executive Ownership Plan

During 2013, the Company established the Caribou Coffee Company, Inc. Long-Term Incentive Plan (C-LTIP), which provides for the granting of non-qualified stock options and restricted stock to officers and key employees. The Company is authorized to issue a maximum of 1,300,000 shares of its $.01 par value common stock pursuant to the C-LTIP. The plan includes provisions for the grantee, after the satisfaction of a six month hold period, to sell the vested shares to the Company in exchange for the current fair value of the shares. The Company has the option to call outstanding vested shares in exchange for the current fair value of the shares.

For the fiscal year ended December 28, 2021 and prior fiscal years, the Company issued restricted stock awards and non-qualified stock options that vest four and half years from the date of grant. The Company continued to issue these awards under the same vesting schedule to its executive employees during the fiscal years ended December 31, 2024 and December 26, 2023. For certain other employees, during the fiscal years ended December 31, 2024 and December 26, 2023, the Company issued restricted stock awards that vest 60% 30 months from the date of grant, vest an additional 20% 42 months from the date of grant, and vest the final 20% 54 months from the date of grant. All restricted stock awards include a six-month holding period before the employee can sell the shares. Non-qualified stock options can be exercised any time after vesting and up to ten years from the date of grant. As of December 31, 2024, 1.3 million shares of the Company's common stock were available for issuance under the C-LTIP.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation

Caribou Coffee Company, Inc. Long-Term Incentive Plan and Executive Ownership Plan (continued)

On June 13, 2013, the Company established the Caribou Executive Ownership Plan (C-EOP). The C-EOP allows eligible executive employees and non-employee directors to purchase shares of the Company's common stock during specified investment periods at an amount that equals or exceeds an investment minimum, which is defined as five percent of the participant's annual base salary divided by the fair market value of a share on the investment date. In no event shall the aggregate value of shares acquired by any participant pursuant to the C-EOP exceed the aggregate investment limit, which is defined as the product of ten and the participant's annual base salary.

The C-EOP allows for the granting of matching awards of the number of shares purchased by the participants and vests on the 54-month anniversary of the investment date. The matching awards granted, as well as any shares issued at a discount, under the C-EOP are accounted for as stock-based compensation expense. There were no purchases of the Company's stock under the C-EOP during the fiscal years ended December 31, 2024 and December 26, 2023.

Shareholders who purchased shares under the C-EOP plan may sell the shares to the Company during specified investment periods for the then current fair value. Shareholders are subject to market risk on the value of their shares. As of December 31, 2024, 2.0 million shares of the Company's common stock were available for issuance under the C-EOP.

During the fiscal year ended December 31, 2024, less than 0.1 million shares were repurchased by the Company for $0.1 million, net of shareholder loans. During the fiscal year ended December 26, 2023, less than 0.1 million shares were repurchased by the Company for $2.4 million, net of shareholder loans.

Restricted stock units are valued based on the grant-date fair value of the shares. The fair value of the shares is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics. The estimated grant date fair value of each stock-based award is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period (generally the vesting period). Total stock-based compensation expense for all CCCI C-LTIP and matching awards under the C-EOP plans for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022 was $0.4 million, $0.7 million, and $1.3 million, respectively, and is included in general and administrative expenses on the consolidated statements of operations.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Company, Inc. Long-Term Incentive Plan and Executive Ownership Plan (continued)

Stock option activity during the fiscal years ended December 31, 2024, December 26, 2023 is as follows (in thousands, except per share and life data):

Options Outstanding	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life
Outstanding, December 27, 2022	3	$ 62.31	4.3 years
Granted	-	-	
Exercised	(2)	65.23	
Cancelled	-	-	
Outstanding, December 26, 2023	1	$ 57.93	3.9 years
Granted	-	-	
Exercised	-	-	
Cancelled	-	-	
Outstanding, December 31, 2024	**1**	**$ 57.93**	**2.9 years**
Vested and expected to vest	**1**	**$ 57.93**	
Exercisable, December 31, 2024	**1**	**$ 57.93**	

Stock options were issued with an exercise price equal to the market price of our common stock on the date of grant. As of December 31, 2024, all stock options in the Caribou Coffee Company, Inc. equity plans were vested. There was no unrecognized compensation cost related to non-vested stock options granted to employees.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Company, Inc. Long-Term Incentive Plan and Executive Ownership Plan (continued)

Restricted stock activity during the fiscal years ended December 31, 2024 and December 26, 2023 is as follows (in thousands, except per share data):

Non-Vested Shares Outstanding	Shares	Weighted Average Fair Value
Balance December 27, 2022	42	$ 52.18
Granted	3	99.13
Vested	(19)	52.47
Forfeited	-	-
Balance December 26, 2023	26	$ 56.82
Granted	**3**	**105.11**
Vested	**(13)**	**53.48**
Forfeited	**(3)**	**73.73**
Balance December 31, 2024	**13**	**$ 66.21**

As of December 31, 2024, there was $0.4 million of unrecognized compensation cost related to non-vested restricted shares granted to employees, which is expected to be recognized over a weighted average period of 2.6 years.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Operating Company Long-Term Incentive Plan and Executive Ownership Plan

In March 2020, CCOC established the CCOC Long-Term Incentive Plan (CCOC-LTIP), which provides for the granting of non-qualified stock options (NSOs) and restricted stock units (RSUs) to officers and key employees with terms identical to the C-LTIP. In March 2020, CCOC established the CCOC Executive Ownership Plan (CCOC-EOP) that allows eligible executive employees and non-employee directors to purchase shares of CCOC common stock with terms identical to the C-EOP. During the fiscal year ended December 31, 2024, executive employees did not purchase any shares of CCOC under the CCOC-EOP. During the fiscal year ended December 26, 2023, executive employees purchased 0.1 million shares of CCOC under the CCOC-EOP for $0.4 million, net of shareholder loans. During the fiscal years ended December 31, 2024, no matching shares were granted. During the fiscal year ended December 26, 2023, the Company granted matching shares of less than 0.1 million shares of CCOC.

Shareholders who purchased shares under the CCOC-EOP may sell the shares to CCOC during specified investment periods for the then current fair value. Shareholders are subject to market risk on the value of their shares.

During the fiscal year ended December 31, 2024, less than 0.1 million shares were repurchased by CCOC for $0.7 million, net of shareholder loans. During the fiscal year ended December 26, 2023, 0.1 million shares were repurchased by CCOC for $0.5 million, net of shareholder loans.

The estimated grant date fair value of each stock-based award is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period (generally the vesting period). The fair value of the shares is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics. Total stock-based compensation expense for awards issued under the CCOC-LTIP and CCOC-EOP for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022 was $3.4 million, $3.8 million, and $2.2 million, respectively, and is included in general and administrative expenses on the consolidated statements of operations.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Operating Company Long-Term Incentive Plan and Executive Ownership Plan

Stock option activity during the fiscal years ended December 31, 2024 and December 26, 2023 is as follows (in thousands, except per share and life data):

Options Outstanding	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life
Outstanding, December 27, 2022	75	$ 29.29	6.8 years
Granted	-	-	
Exercised	**(2)**	**27.91**	
Expired	-	-	
Forfeited	(2)	31.45	
Outstanding, December 26, 2023	71	$ 29.27	7.0 years
Granted	**-**	**-**	
Exercised	**(8)**	**28.59**	
Expired	**-**	**-**	
Forfeited	**(1)**	**28.01**	
Outstanding, December 31, 2024	**62**	**$ 29.39**	**6.2 years**
Vested and expected to vest	**61**	**$ 29.38**	
Exercisable, December 31, 2024	**29**	**$ 28.67**	

Stock options were issued with an exercise price equal to the market price of our common stock on the date of grant. No stock options were granted during the fiscal years ended December 31, 2024 and December 26, 2023.

During the fiscal year ended December 27, 2022, the weighted average fair value of stock options granted was $10.85. The Company estimated the fair value of each stock option award on the date of grant using a Black-Scholes option pricing model, modified for dividends and using the following assumptions:

Expected stock price volatility	37.40%
Expected life	6.55 years
Risk free interest rate	1.87%
Dividend yield	1.00%

As of December 31, 2024, there was less than $0.1 million of unrecognized compensation cost related to CCOC non-vested stock options granted to employees, which is expected to be recognized over a weighted average period of 0.2 years.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Operating Company Long-Term Incentive Plan and Executive Ownership Plan (continued)

Restricted stock activity during the fiscal years ended December 31, 2024 and December 26, 2023 is as follows (in thousands, except per share data):

Non-Vested Shares Outstanding	Shares	Weighted Average Fair Value
Balance December 27, 2022	404	$ 25.66
Granted	172	28.56
Vested	(36)	25.17
Forfeited	(18)	29.29
Balance December 26, 2023	522	$ 27.81
Granted	**97**	**37.44**
Vested	**(93)**	**26.07**
Forfeited	**(49)**	**30.64**
Balance December 31, 2024	**477**	**$ 29.82**

As of December 31, 2024, there was $6.4 million of unrecognized compensation cost related to non-vested restricted shares granted to employees, which is expected to be recognized over a weighted average period of 2.7 years.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Einstein Noah Restaurant Group, Inc. Long-Term Incentive Plan and Executive Ownership Plan

In March 2020, ENRGI established the ENRGI Long-Term Incentive Plan (ENRGI-LTIP), which provides for the granting of non-qualified stock options (NSOs) and restricted stock units (RSUs) to officers and key employees with terms identical to the C-LTIP. In March 2020, ENRGI established the ENRGI Executive Ownership Plan (ENRGI-EOP) that allows eligible executive employees and non-employee directors to purchase shares of ENRGI common stock with terms identical to the C-EOP. During the fiscal year ended December 31, 2024, executive employees purchased less than 0.1 million shares of ENRGI for $1.0 million, net of shareholder loans. During the fiscal year ended December 26, 2023, executive employees purchased 0.1 million shares of ENRGI for $0.9 million, net of shareholder loans. During the fiscal years ended December 31, 2024 and December 26, 2023, the Company made matching grants of less than 0.1 million shares and 0.1 million shares, respectively.

Shareholders who purchased shares under the ENRGI-EOP may sell the shares to ENRGI during specified investment periods for the then current fair value. Shareholders are subject to market risk on the value of their shares.

During the fiscal year ended December 31, 2024, less than 0.1 million shares were repurchased by ENRGI for $0.5 million, net of shareholder loans. During the fiscal year ended December 26, 2023, 0.2 million shares were repurchased by ENRGI for $12.8 million, net of shareholder loans. During the fiscal year ended December 31, 2024, 0.1 million outstanding shares were canceled by ENRG. Settlements for these cancellations totaled $11.7 million. Of this amount, $0.2 was paid during the fiscal year ended December 31, 2024 and $11.5 million is recorded in accrued expenses on the consolidated balance sheets as of that date. ENRG did not cancel any shares during the fiscal year ended December 26, 2023.

The estimated grant date fair value of each stock-based award is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period (generally the vesting period). The fair value of the shares is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics. Stock-based compensation expense for the ENRGI-LTIP and ENRGI-EOP for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022 was $5.0 million, $5.3 million, and $3.9 million, respectively, and is included in general and administrative expenses on the consolidated statements of operations.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Einstein Noah Restaurant Group, Inc. Long-Term Incentive Plan and Executive Ownership Plan

Stock option activity during the fiscal years ended December 31, 2024 and December 26, 2023 is as follows (in thousands, except per share and life data):

Options Outstanding	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life
Outstanding, December 27, 2022	109	$ 31.28	7.7 years
Granted	-	-	
Exercised	(9)	29.17	
Canceled	-	-	
Forfeited	-	-	
Outstanding, December 26, 2023	100	$ 31.28	7.5 years
Granted	**-**	**-**	
Exercised	**-**	**-**	
Canceled	**(71)**	**33.01**	
Forfeited	**-**	**-**	
Outstanding, December 31, 2024	**29**	**$ 27.66**	**6.5 years**
Vested and expected to vest	**29**	**$ 27.66**	
Exercisable, December 31, 2024	**29**	**$ 27.66**	

Stock options were issued with an exercise price equal to the market price of our common stock on the date of grant. No stock options were granted during the fiscal years ended December 31, 2024 and December 26, 2023.

During the fiscal year ended December 27, 2022, the weighted average fair value of stock options granted was $11.42. The Company estimated the fair value of each stock option award on the date of grant using a Black-Scholes option pricing model, modified for dividends and using the following assumptions:

Expected stock price volatility	37.78%
Expected life	5.80 years
Risk free interest rate	1.83%
Dividend yield	1.00%

As of December 26, 2023, all stock options in the Einstein Noah Restaurant Group, Inc. equity plans were vested. There was no unrecognized compensation cost related to non-vested stock options granted to employees.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Einstein Noah Restaurant Group, Inc. Long-Term Incentive Plan and Executive Ownership Plan (continued)

Restricted stock activity during the fiscal years ended December 31, 2024 and December 26, 2023 is as follows (in thousands, except per share data):

Non-Vested Shares Outstanding	Shares	Average Fair Value
Balance December 27, 2022	742	$ 29.00
Granted	100	55.08
Vested	(149)	32.58
Forfeited	(150)	27.22
Balance December 26, 2023	543	$ 35.15
Granted	**103**	**66.68**
Vested	**(160)**	**30.84**
Forfeited	**(34)**	**52.43**
Balance December 31, 2024	**452**	**$ 42.40**

As of December 31, 2024, there was $10.4 million of unrecognized compensation cost related to non-vested restricted shares granted to employees, which is expected to be recognized over a weighted average period of 2.7 years.

14. Accumulated Other Comprehensive Income

The following table summarizes changes in accumulated other comprehensive income, net of tax, for the fiscal year ended December 27, 2022 (in thousands):

	Cash flow hedging instruments	Accumulated other comprehensive income	Non-controlling interests subject to put provisions
Balances at December 28, 2021	$ (3,667)	$ (3,462)	$ (205)
Unrealized gains on cash flow hedging instruments, net of tax	817	805	12
Reclassification adjustment for net losses realized in earnings on cash flow hedging instruments, net of tax	2,375	2,340	35
Settlement and novation of cash flow hedging instruments	475	317	158
Balances at December 27, 2022	$ -	$ -	$ -

During the fiscal year ended December 27, 2022, the Company settled one interest rate swap contract and novated the remaining two to Panera Brands, Inc. The Company did not hold any cash flow hedging instruments as of December 31, 2024, December 26, 2023 or December 27, 2022. Refer to Note 6 for more information on the settlement and novation.

15. Income Taxes

The income tax expense (benefit) for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022 consists of the following (in thousands):

	Fiscal Year Ended		
	December 31, 2024	**December 26, 2023**	**December 27, 2022**
Current			
Federal	**$ 6,920**	$ 9,870	$ (2,969)
State	**5,632**	2,645	1,930
International	**626**	347	256
Total current	**13,178**	12,862	(783)
Deferred			
Federal	**3,104**	(349)	7,955
State	**15**	1,478	1,514
Total deferred	**3,119**	1,129	9,469
Total tax expense	**$ 16,297**	$ 13,991	$ 8,686

A reconciliation of the differences between income taxes computed at the U.S. Federal statutory tax rate and the Company's income tax expense for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022 is as follows (in thousands):

	Fiscal Year Ended		
	December 31, 2024	**December 26, 2023**	**December 27, 2022**
Federal tax rate	**$ 15,347**	$ 15,240	$ 12,207
Foreign taxes	**626**	347	256
State taxes	**4,150**	3,669	3,106
Stock option windfall	**(627)**	(1,325)	(32)
Tax credits	**(3,398)**	(3,164)	(3,083)
Changes in unrecognized tax benefits	**-**	(239)	(3,280)
Return to Provision adjustments	**(33)**	-	(190)
Other	**232**	(537)	(298)
	$ 16,297	$ 13,991	$ 8,686

15. Income Taxes (continued)

Deferred income taxes reflect the tax effect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and amounts used for income taxes. The tax effects of temporary differences that give rise to significant portions of the Company's deferred income tax assets (liabilities) are as follows (in thousands):

	December 31, 2024	December 26, 2023
Net operating losses and credit carryforwards	**$ 4,048**	$ 10,518
Operating lease liabilities	**77,001**	72,423
Accrued expenses	**9,013**	6,539
State deferred taxes	**4,091**	4,394
Deferred revenue	**2,898**	2,029
Stock based compensation	**5,903**	3,822
Other	**242**	305
Gross deferred tax assets	**103,196**	100,030
Property & equipment	**(12,552)**	(10,562)
Operating lease assets	**(69,321)**	(65,187)
Other intangibles	**(124,624)**	(125,104)
Gross deferred tax liabilities	**(206,497)**	(200,853)
Valuation allowance	**-**	(17)
Net deferred tax liabilities	**$ (103,301)**	$ (100,840)

There was no valuation allowance placed on state net operating loss deferred tax assets as of December 31, 2024. A valuation allowance of less than $0.1 million was placed on certain state net operating loss deferred tax assets as of December 26, 2023, as management believed it was not more likely than not those deferred tax assets would be realized.

15. Income Taxes (continued)

Unrecognized tax benefits are included in accrued expenses and other accrued liabilities and other long-term liabilities, net on the consolidated balance sheets. A reconciliation of the beginning and ending amount of unrecognized tax benefits for the fiscal years ended December 31, 2024 and December 26, 2023 was as follows (in thousands):

	Fiscal Year Ended	
	December 31, 2024	**December 26, 2023**
Beginning gross unrecognized tax benefit	**$ 400**	$ 702
Gross increases for prior periods		-
Gross decreases for prior periods		(302)
Ending gross unrecognized tax benefit	**$ 400**	$ 400

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. There was no penalty or interest to be recognized in income tax expense for any period presented.

As of December 31, 2024, the Company had state net operating loss carryforwards of approximately $49.6 million. If not utilized, state carryforwards will begin to expire in 2025.

As of December 31, 2024, the Company had foreign tax credit carryforwards of approximately $0.6 million and less than $0.1 million for federal and state tax purposes, respectively. If not utilized, the credits can be carried forward between 10 and 20 years.

For federal purposes, tax years prior to 2021 (except for 2019 which is currently under IRS audit) are closed for assessment purposes.

The Company files a federal consolidated income tax return and various state unitary or combined income tax returns with Panera Brands, Inc. and Subsidiaries. As such, the Company has entered into a Tax Matters Agreement with PBI which governs the allocation, settlement, and administrative matters of the consolidated group of companies. As of December 31, 2024, the Company has recorded a net related party payable of $46.8 million within the long-term liabilities section on the consolidated balance sheets for the value of tax benefits or cash payments used by the Company as part of the fiscal years 2016 to 2023 and estimated 2024 consolidated tax filings. The income tax provision reflected in the consolidated financial statements has been prepared on a stand-alone basis. As of December 31, 2024, the Company has recorded a $6.2 million difference between the amount received under the tax matters agreement and the expected settlement amount prepared on the Company's stand-alone basis as an additional investment by PBI within the consolidated statement of changes in shareholders' equity.

16. Employee Benefit Plan

Caribou sponsors a 401(k) defined contribution plan for substantially all employees, excluding key employees and officers, and generally matches 25% of the first 5% contributed by its employees after three months of employment. Caribou matching contributions are fully vested after four years of service. Amounts expensed for Caribou matching contributions to the plan aggregated to $0.4 million and $0.3 million for the fiscal years ended December 31, 2024 and December 26, 2023, respectively.

ENRGI sponsors a 401(k) defined contribution plan for substantially all employees, excluding key employees and officers, if they meet certain eligibility requirements. ENRGI may generally make a matching contribution which would vest after three years of service. Amounts expensed for ENRGI matching contributions to the plan aggregated to $0.3 million for the fiscal year ended December 31, 2024. Amounts expensed for ENRGI matching contributions to the plan aggregated to $0.3 million for the fiscal year ended December 26, 2023. ENRGI did not accrue or pay a discretionary match for the fiscal year ended December 27, 2022.

The Company established the Caribou Nonqualified Deferred Compensation Plan (DC Plan) for key employees, generally officers, who were eligible to participate in the DC Plan effective January 1, 2019. The DC Plan allows an eligible employee to defer up to 80% of their base salary and bonus. The deferred amounts are invested with The Charles Schwab Trust Company under investment criteria directed by the participant.

Due to the substantial reduction in the Company's cash flows during 2020 as a result of the COVID-19 pandemic and its continued impact during 2021, the Company temporarily suspended Company matching contributions to its defined contribution plans and DC Plan. Caribou reinstated its matching contributions in January 2022; ENRGI reinstated its matching contributions in January 2023.

17. Master Franchise Agreements

Middle East Franchise Agreement

In November 2004, the Company entered into a master franchise agreement with a franchisee. In 2017, the Middle East Franchise Agreement was amended to expand the rights of the franchisee to develop 600 Caribou Coffee branded coffeehouses and to extend the expiration date. As stated in a October 2023 Memorandum of Understanding, the franchisee recently restructured into two distinct franchisee parties therefore in April 2024, the Company entered into an Amended and Restated Franchise Agreement with the original master franchisee party for development rights in the Middle East (excluding Kuwait) and North Africa with a term expiring in April 2034. Additionally, the Company entered into a separate agreement with the other franchisee party for development rights solely in Kuwait with a development term expiring in May 2034.

17. Master Franchise Agreements (continued)

Middle East Franchise Agreement (continued)

The Company's Middle East Franchise Agreements require upfront franchise fees such as initial fees paid upon opening of a store and fees paid to renew the term of the franchise right. Fees are recognized over the term of the related franchise license for the respective coffeehouse. Revenues for these upfront franchise fees are recognized on a straight-line basis over the life of the franchise agreement for the respective coffeehouse, which is consistent with the franchisee's right to use and benefit from the intellectual property.

Monthly royalty payments ranging from 3% to 5% of gross sales are also due to the Company under the Middle East Franchise Agreements. Royalty revenue of $5.6 million, $4.3 million, and $3.7 million was received during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively, and is included in franchise royalties and fees on the consolidated statements of operations.

As of December 31, 2024, there were 349 coffeehouses operating under the two agreements.

Domestic Master Franchise Agreements

As of December 31, 2024, there were twelve coffeehouses operating under the Company's domestic master franchise agreements. The timetables for opening these coffeehouses are established in the Company's Area Development Agreements, or ADAs, with franchisees, which generally provide for the majority of these planned coffeehouses to open within five to twenty years. The ADAs require a franchisee to develop a specified number of bakery-cafes on or before specified dates. If a franchisee fails to develop bakery-cafes on schedule, we have the right to terminate the ADA and develop Company-owned locations or develop locations through new franchisees in that market. We may exercise one or more alternative remedies to address defaults by area developers, including not only development defaults, but also defaults in complying with our operating and brand standards and other covenants under the ADAs and franchise agreements. We may waive compliance with certain requirements under our ADAs and franchise agreements if we determine such action is warranted under the particular circumstances.

The Company's domestic franchise agreements require upfront franchise fees such as initial fees paid upon opening of a store and fees paid to renew the term of the franchise right. Fees are recognized over the term of the related franchise license for the respective coffeehouse or bagel bakery. Revenues for these upfront franchise fees are recognized on a straight-line basis over the life of the franchise agreement for the respective coffeehouse or bagel bakery, which is consistent with the franchisee's right to use and benefit from the intellectual property.

Monthly royalty payments ranging from 4% to 6% of gross sales are also due to the Company under these agreements. Approximately $0.1 million and $0.1 million of royalty revenue was recorded during the fiscal years ended December 31, 2024 and December 26, 2023, respectively.

17. Master Franchise Agreements (continued)

Domestic Master Franchise Agreements (continued)

Our franchise-operated coffeehouses and bagel bakeries follow the same protocol for in-store operating standards, product quality, menu, site selection, and bakery-cafe construction as Company-owned coffeehouses and bagel bakeries. Generally, franchisees are required to purchase all of their products from us or sources approved by us. We do not generally finance franchisee construction or ADA payments. We also provide to our franchise-operated coffeehouses and bagel bakeries, for a fee, limited information technology services and access to information technology infrastructure supporting operational initiatives. As of December 31, 2024, we did not hold an equity interest in any of our franchise-operated bakery-cafes.

18. Related-Party Transactions

Sales of Coffee to JDE

As stated above in Note 3, CCOC sold its CPG business to JDE during the fiscal year ended December 31, 2024. The Transaction closed on March 26, 2024. Prior to the Transaction, CCOC sold Caribou branded coffee to JDE and received a royalty for all sales by JDE to its CPG customers of Caribou Coffee branded product. The Company recorded $8.0 million, $32.6 million, and $30.6 million of JDE coffee bean sales and royalties in franchise and commercial product sales in the consolidated statements of operations for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. Pursuant to the supply agreement with JDE described in Note 3, the Company purchased $12.2 million of coffee beans and Caribou-branded consumer-packaged goods coffee from JDE during the fiscal year ended December 31, 2024. At December 31, 2024, the Company had a payable due to JDE of $9.0 million recorded in accounts payable in the consolidated balance sheets. At December 26, 2023, the Company had a receivable due from JDE of $3.1 million recorded in trade accounts receivable, net in the consolidated balance sheets.

Coffee Sales to Keurig Green Mountain

The Company sold $3.4 million, $17.3 million, and $16.4 million of green coffee to KDP during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. The Company received royalties of $2.0 million, $8.2 million, and $8.6 million from KDP on sales by KDP of Caribou Coffee branded product during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. As of December 31, 2024, the Company did not have a receivable due from KDP related to coffee sales and royalties. As of December 26, 2023, the Company had a receivable due from KDP related to coffee sales and royalties of $1.7 million recorded in trade accounts receivable, net in the consolidated balance sheets.

18. Related-Party Transactions (continued)

Tax Matters Agreement

The Company files a consolidated tax return with Panera Brands, Inc. and Subsidiaries. The Company, Peet's Coffee & Tea, LLC (Peet's), Krispy Kreme Holdings, Inc. (KKH), Panera Bread Co. (Panera), and KK HoldCo Inc. (formerly JAB Beech, Inc.) have agreed to a tax matters agreement as described in Note 15. Under the tax matters agreement, the Company recorded long-term amounts due to Peet's, KKH, Panera and KK HoldCo Inc. of $46.8 million and less than $0.1 million as of December 31, 2024 and December 26, 2023, respectively. There were no short-term amounts due from related parties under the tax matters agreement at December 31, 2024 or December 26, 2023.

Shareholder Notes Receivable

Caribou Coffee Company, Inc. Shareholder Notes

Caribou Coffee Company, Inc. did not provide any loans to employees during the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022. There were no Caribou Coffee Company, Inc. shareholder loans outstanding at December 31, 2024 or December 26, 2023. As of December 28, 2021, $1.8 million of Caribou Coffee Company, Inc. shareholder loans were outstanding and included in noncontrolling interests subject to put provisions. These shareholder loans were settled during the fiscal year ended December 27, 2022.

Caribou Coffee Operating Company, Inc. Shareholder Notes

During the fiscal year ended December 31, 2024, CCOC did not provide any loans to management employees to purchase CCOC shares. During the fiscal year ended December 26, 2023, CCOC provided loans to certain management employees to purchase 18,303 CCOC shares at an average cost of $32.67 per share. During the fiscal year ended December 27, 2022, CCOC provided loans to certain management employees to purchase 3,211 CCOC shares at an average cost of $30.43 per share.

The loans mature in three to ten years from the date of issuance and bear no stated interest. During the fiscal year ended December 31, 2024, $0.1 million of CCOC shareholder loans were paid in full. No CCOC shareholder loans were paid in full during the fiscal year ended December 26, 2023. As of December 31, 2024 and December 26, 2023, $2.0 million and $2.0 million of CCOC shareholder loans were outstanding and included in noncontrolling interests subject to put provisions, respectively.

18. Related-Party Transactions (continued)

Shareholder Note Receivable (continued)

Einstein Noah Restaurant Group, Inc. Shareholder Notes

During the fiscal year ended December 31, 2024, ENRGI provided loans to certain management employees to purchase 19,498 ENRGI shares at an average cost of $66.68 per share. During the fiscal year ended December 26, 2023, ENRGI provided loans to certain management employees to purchase 16,675 ENRGI shares at an average cost of $66.53 per share. During the fiscal year ended December 27, 2022, ENRGI provided loans to certain management employees to purchase 36,895 ENRGI shares at an average cost of $34.66 per share.

The loans mature in three to ten years from the date of issuance and bear no stated interest. During the fiscal year ended December 31, 2024, less than $0.1 million of ENRGI shareholder loans were paid in full. As of December 31, 2024 and December 26, 2023, $5.0 million and $4.1 million of ENRGI shareholder loans were outstanding and included in noncontrolling interests subject to put provisions, respectively.

The Company, CCOC, and ENRGI discounted new shareholder loans to present value and recorded a discount of $0.4 million, $0.3 million, and less than $0.1 million as stock based compensation expense included in general and administrative expense on the consolidated statement of operations during each of the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively. The Company, CCOC, and ENRGI recognized interest income of $0.2 million, less than $0.1 million, and $0.1 million related to shareholder loans on the consolidated statement of operations during each of the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022, respectively.

Dividend

No dividends were declared or paid during the fiscal year ended December 31, 2024. In September 2023, the Company’s Board of Directors declared dividends of $18.8 million payable to all shareholders. These dividends were paid in October 2023.

19. Bakery and Coffeehouse Closings, Transfers and Asset Disposals

Upon closing of a coffeehouse or bagel bakery, the Company accrues for estimated expenses associated with the closings.

Closing and disposal charges for the fiscal years ended December 31, 2024, December 26, 2023, and December 27, 2022 consist of the following (in thousands, except coffeehouse and bakery numbers):

	Fiscal Year Ended		
	December 31, 2024	**December 26, 2023**	**December 27, 2022**
Coffeehouse and bagel bakery closures	**20**	35	17
Amount charged for closed and transferring coffeehouses and bagel bakery:			
Other closing costs	**$ 376**	$ 1,245	$ 680
Net loss on sale of closed coffeehouse and bagel bakery property and equipment	**381**	499	1,100
Coffeehouse and bagel bakery closing expense and disposal of assets	**$ 757**	$ 1,744	$ 1,780

Coffeehouse and bagel bakery closing expenses are included in other operating expenses in the consolidated statements of operations.

In accordance with ASU 2016-02, lease termination liabilities of $0.1 million and $0.3 million at December 31, 2024 and December 26, 2023, respectively, are included in the balance of the Company's right of use assets.

20. Commitments and Contingencies

From time to time, the Company becomes involved in certain legal proceedings in the ordinary course of business, including the significant legal proceedings described below. The Company believes that it has valid defenses to these legal proceedings and is defending the matters vigorously. Nevertheless, the outcome of any litigation is inherently uncertain.

Jones Claim

On December 27, 2022, former Noah's employee Janete Jones filed a Class Action complaint in California State Court alleging various violations of the California Labor Code, primarily concerning meal and rest breaks. The class period runs from December 27, 2018 to the present. Jones also filed a separate case under the California Private Attorneys General Act (PAGA) asserting the same claims but seeking civil penalties instead of damages. The parties attended a global mediation of both cases in February 2024 and accrued a settlement as of December 31, 2024.

Canal Mezzanine Partners II LLC

In December 2020, Canal Mezzanine Partners II LLC commenced an action in New York state court against Bruegger's Enterprises, Inc. (BEI), BEI's subsidiary New York Style Bagels LLC (NYSB), and the Company alleging various claims for breach of a purchase option agreement concerning a number of Bruegger's New York bakeries. The parties engaged in motion practice and fact discovery for several years. On May 31, 2023, the parties executed a settlement agreement and full mutual releases, which among other things terminated the purchase option agreement and provided that BEI and NYSB would retain ownership of the Bruegger's bakeries at issue. The Company paid the settlement amount on June 7, 2023.

570 Associates, LLC

On October 8, 2021, 570 Associates III, LLC commenced an action against Einstein and Noah Corp. and Einstein Noah Restaurant Group, Inc. in the Supreme Court for the State of New York, Erie County, alleging, among other things, money damages for the Einstein entities' alleged failure to construct a commercial building on the leased space that it rented from 570 Associates, LLC and open for business as a fully stocked restaurant no later than October 31, 2015 as required by the parties' lease.

The parties engaged in substantive motion practice over the next year and agreed to settle the dispute to satisfy any obligation to construct the commercial building. The Company accrued this settlement as of December 27, 2022 and paid it during the first quarter of the fiscal year ended December 26, 2023.

21. Supplemental Cash Flow Information

The following table sets forth supplemental cash flow information for the periods indicated:

	Fiscal Year Ended		
(in thousands)	**December 31, 2024**	**December 26, 2023**	**December 27, 2022**
Cash paid for interest	**$ 8,631**	$ 16,708	$ 16,662
Cash paid for income taxes	**9,440**	6,199	3,412
Non-cash investing and financing activities			
Change in accrued property and equipment purchases	**$ 1,649**	$ 5,296	$ 797

As stated above in Note 3, on January 18, 2024, CCOC and JDE entered into an Asset Purchase Agreement pursuant to which CCOC will license its brand in the consumer packaged goods and foodservice channels and sell its roasting operations in Minnesota and its office coffee and foodservice contracts to JDE for a purchase price of $260.0 million, subject to certain closing adjustments. The Transaction closed on March 26, 2024 at a final purchase price of $268.5 million. The cash for the Transaction was received at PBI. With the proceeds that were received at PBI, CCOC recorded a reduction of its debt for $131.8 million and received a note receivable from PBI for the remaining $136.7 million of the proceeds. CCOC received cash payments for interest income on the note receivable of $5.0 million during the year ended December 31, 2024.

On August 12, 2024, CCOC and ENRGI settled $11.8 million of intercompany transactions previously owed to CCOC by ENRGI. ENRGI recorded the transaction as a settlement of $11.8 million of its debt under the revolving credit facility, and CCOC recorded the transaction as an $11.8 million draw on its note receivable with PBI. The settlement of intercompany transactions was noncash, as no cash was exchanged between CCOC, ENRG, and PBI.

On July 26, 2023, the Company issued 189,626 shares in exchange for an $18.8 million contribution from PBI. Funds from this transaction were used to repay $18.8 million of the outstanding balance on the Company's revolving line of credit pursuant to the Company's Intercompany Loan Agreement with PBI. The contribution from PBI and the repayment on the Company's revolving line of credit were noncash transactions, as no cash was exchanged between the Company and PBI.

22. Subsequent Events

In accordance with ASC Topic 855, "Subsequent Events,", which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, the Company has evaluated all events or transactions through March 27, 2025, the date that the consolidated financial statements were available to be issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

GUARANTEE OF PERFORMANCE

For value received, Caribou Coffee Company, Inc. a Minnesota corporation (the "Guarantor"), located at 3900 Lakebreeze Avenue N., Minneapolis, Minnesota 55429, absolutely and unconditionally guarantees to assume the duties and obligations of Manhattan Bagel Company, Inc., located at 1720 S. Bellaire Street, Suite Skybox, Denver Colorado 80222 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued April 25, 2025, 2025, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Denver, Colorado, on the 25th day of April, 2025.

Guarantor: **Caribou Coffee Company, Inc.**

By: _____

Print Name: Michael Davis

Print Title: Chief Legal Officer

Exhibit I
Table of Contents of Manual

Total No. of Pages in Manual: 343 pages

Exhibit J
State–Specific Disclosures

California Disclosure

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code Sections 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code Sections 20000-20043, the Franchise Disclosure Document for Manhattan Bagel Company, Inc. in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. Our website, *www.manhattanbagel.com*, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at *www.dpfi.ca.gov.*

2. 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.

3. In Item 3, "Litigation," shall be amended by the addition of the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, 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, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

4. Item 12, "Territory," shall be amended by the addition of the following paragraph at the conclusion of the first paragraph:

For California Prospective Franchisees: for counties and cities with a population of over 500,000 persons, the protected territory will be 0.25 miles; for counties and cities with a population of between 200,000 and 500,000 persons, the protected territory will be 0.5 miles; and in counties with a population of under 200,000 persons, the protected territory will be 1.0 miles.

5. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph(s) at the conclusion of the Item:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of the state in which Franchisor maintains its principal place of business. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

6. Item 19, "Financial Performance Representations," shall be amended by the addition of the following paragraph:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

Maryland Disclosure

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for Manhattan Bagel Company, Inc. for use in the State of Maryland shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

> The general releases required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> Except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement permits you to sue only in the jurisdiction in which we maintain our principal place of business.
>
> Any claim arising under the Maryland Franchise and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. Exhibit L, “Franchisee Compliance Certification,” shall be amended by the addition of the following at the end of Exhibit L:

> The representations under this Franchisee Compliance Certification are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language to the summary of Provision “h”:

> Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.

4. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language to the summary of Provisions “v” and “w”:

> , except for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. 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. Each provision of this addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this addendum to the disclosure document.

New York Disclosure

ADDITIONAL RISK FACTORS:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

GOVERNMENTAL AGENCIES HAVE PENDING INQUIRIES INTO THE OPERATIONS OF THE FRANCHISOR'S PARENT COMPANY, NEW WORLD RESTAURANT GROUP, INC. (SEE ITEM 3, LITIGATION).

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document for Manhattan Bagel Company, Inc. for use in the State of New York shall be amended as follows:

1. Item 3, "Litigation," the last paragraph shall be deleted in its entirety, and the following shall be substituted in lieu thereof:

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, 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.

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period 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.

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, 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.

Accordingly, other than the 11 actions described above, no other litigation is required to be disclosed in this disclosure document.

2. The paragraph under Item 4, “Bankruptcy” shall be supplemented by the addition of the following at the end of the Item:

Except as described above, neither we, nor our predecessor or affiliate, nor any of our or their officers or general partners, during the 10-year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general

partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by deleting rows d, j, and w, and the following new rows d, j, and w shall be substituted in their place:

Provision	Section in Franchise Agreement	Summary
d. Termination by you	Not applicable	Pursuant to New York General Business Law, the franchisee may terminate the Agreement on the grounds (if any) that are available by law.
j. Assignment of contract by us	§ 16.1 of Franchise Agreement; § 7.1 in Area Development Agreement	There are no limits on our right to assign the Franchise Agreement or the Development Agreement. However, no assignment will be made except to an assignee who, in Franchisor's judgment, is willing and able to assume the Franchisor's obligation under the agreement.
w. Choice of law	§ 27.1 of Franchise Agreement; § 15.1 in Area Development Agreement	Colorado. The foregoing choice of law should not be considered as a waiver of any right conferred upon the franchisor or the franchisee by the General Business Law of the State of New York, Article 33.

4. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if the franchisee is domiciled in New York and the franchise will be operated in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

Rhode Island Disclosure

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document Manhattan Bagel Company, Inc. for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this addendum to the Disclosure document.

Exhibit K
Agreement Amendments

Maryland Franchise Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Manhattan Bagel Company, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in its place:

> *2.2.7 You must execute a general release, in a form we prescribe, of any and all claims against us and our subsidiaries and affiliates, and their respective officers, directors, agents, and employees, excluding only such claims as you may have under the Maryland Franchise Registration and Disclosure Law*;

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in its place:

> *16.5.1. The transferor shall have executed a general release under seal, in a form satisfactory to us, of any and all claims against us and our officers, directors, shareholders and employees, in their corporate and individual capacities, excluding only such claims as the transferor may have under the Maryland Franchise Registration and Disclosure Law*;

3. Sections 27.2 and 27.7 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following shall be substituted in their place:

> *27.2 The parties agree that any action brought by you against us in any court, whether federal or state, must be brought within such state and in the judicial district in which we have our principal place of business (except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law). Any action brought by us against you in any court, whether federal or state, may be brought within the state and judicial district in which we have our principal place of business. The parties agree that this Section 24.2 shall not be construed as preventing either party from removing an action from state to federal court. You hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action*.
>
> *27.7 Any and all claims and actions arising out of or relating to this Agreement, the parties' relationship, or your operation of the Franchised Business, brought by any party hereto against the other, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred; except that any and all claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise, or such action shall be barred*.

4. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

5. Section 28 of the Agreement, under the heading "Acknowledgments," shall be supplemented by the following:

28.11 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

28.12 The Franchise Compliance Certification is not intended to, and shall not act, as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

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. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Manhattan Bagel Company, Inc. Franchisor	_____ Franchisee Entity
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Maryland Development Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Manhattan Bagel Company, Inc. Development Agreement (the "Agreement") agree as follows:

1. Section 7.5.1 of the Agreement, under the heading "Transfers," shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in its place:

> 7.5.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Developer and Franchisor or its affiliates, and federal, state, and local laws and rules, excluding only such claims as the transferor may have under the Maryland Franchise Registration and Disclosure Law;

2. Sections 15.2 and 15.6 of the Agreement, under the heading "Applicable Law," shall be deleted in their entirety, and shall have no force or effect; and the following shall be substituted in their place:

> 15.2 The parties agree that any action brought by Developer against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business, except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law. Any action brought by Franchisor against Developer in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business, except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law. The parties agree that this Section 15.2 shall not be construed as preventing either party from removing an action from state to federal court. Developer hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

> 15.6 Franchisor and Developer irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Developer and Franchisor, or Developer's operation of the business contemplated hereunder, brought by any party hereto against the other, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred, except that any and all claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise.

3. Section 16 of the Agreement, under the heading "Acknowledgments," shall be deleted in its entirety.

4. 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.

5. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

Manhattan Bagel Company, Inc. Franchisor	_____ Developer
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

New York Franchise Agreement Amendment

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Manhattan Bagel Company, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term and Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

> *2.2.7 You must execute a general release, in a form we prescribe, of any and all claims against us and our affiliates, and their respective officers, directors, agents, and employees, provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and*

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

> *16.5.1 The transferor shall have executed a general release, in a form satisfactory to us, of any and all claims against us and our officers, directors, agents, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal , state, and local laws, rules, and ordinances, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;*

3. Section 19.12 of the Agreement, under the heading "Covenants," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

> *19.12 You acknowledge that your violation of the terms of this Section 19 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly agree that we may seek an injunction prohibiting any conduct by you in violation of the terms of this Section 19.*

4. Section 27.5 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

> *27.5 Nothing herein contained shall bar our right to seek injunctive relief against threatened conduct that shall cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.*

5. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be supplemented by the addition of the following new Section 27.10:

27.10 Nothing in this Agreement should be considered a waiver of any right conferred upon you by New York General Business Law, Sections 680-695.

6. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in or the franchise will be opening in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Manhattan Bagel Company, Inc. Franchisor	_____ Franchisee Entity
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

New York Area Development Agreement Amendment

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Manhattan Bagel Company, Inc. Area Development Agreement (the "Agreement") agree as follows:

1. Section 7.5.1 of the Agreement, under the heading "Transfers," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

> 7.5.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Developer and Franchisor or its affiliates, and federal, state, and local laws and rules, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

2. Sections 15.3 and 15.5 of the Agreement, under the heading "Applicable Law," shall be deleted in their entirety, and shall have no force or effect; and the following paragraphs shall be substituted in its place:

> 15.3 Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 15.3 shall not bar either party from seeking injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

> 15.5 Nothing herein contained shall bar Franchisor’s right to seek injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions

3. Section 15 of the Agreement, under the heading "Applicable Law," shall be supplemented by the addition of the following new Section 15.8:

> 15.8 Nothing in this Agreement should be considered a waiver of any right conferred upon Developer by New York General Business Law, Sections 680-695.

4. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed made in New York if Developer is domiciled in New York and the franchise will be operated in New York. Franchisor is required to furnish a New York prospectus to every prospective Developer who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Manhattan Bagel Company, Inc. Franchisor	_____ Developer
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Rhode Island Franchise Agreement Amendment

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Manhattan Bagel Company, Inc. Franchise (the "Agreement") agree as follows:

1. Section 27.2 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be supplemented by the following additional text:

> *27.2 Notwithstanding the foregoing, Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."*

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Manhattan Bagel Company, Inc. Franchisor	_____ Franchisee Entity
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit L
General Release Language

EXHIBIT L
GENERAL RELEASE LANGUAGE

The following is our current general release language that we expect to include in a release that a franchisee, developer, and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release.

> Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless Manhattan Bagel Company, Inc., its current and former corporate parents, affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "**Franchisor Group**"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Restaurant.
>
> This release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. This includes the waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor"). The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Restaurant. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described additional.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Manhattan Bagel Company, Inc.
Franchisor

By:_____

Name:_____

Title:_____

_____

By:_____

Name:_____

Title:_____

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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 document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

STATES	EFFECTIVE DATE
Maryland	Pending
New York	Pending
Rhode Island	Pending
Virginia	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.

Exhibit M
Receipts

EXHIBIT M
ITEM 23 • RECEIPT

This disclosure document summarizes provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Manhattan Bagel Company, Inc. offers you a franchise, it must provide this disclosure document to you (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Iowa requirements at the earlier of the first personal meeting, or 14 days before signing the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or (d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Manhattan Bagel Company, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit D.

The franchisor is Manhattan Bagel Company, Inc., located at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 (tel-303.568.8000).

Issuance date: April 25, 2025

The franchise sellers are Matthew Copenhaver, Tina D'Ottavio, Paula Greenwell and Tina Welch at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222 (tel-303.568.8000). Any additional individual franchise sellers involved in offering the franchise are: _____

_____

Manhattan Bagel Company, Inc. authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

I received a Franchise Disclosure Document dated April 25, 2025 that included the following Exhibits:

A Franchise Agreement and Exhibits
B Development Agreement
C Software License Agreement
D List of State Administrators
E Agents for Service of Process
F List of Current and Former Manhattan Bagel Franchisees
G List of Company–Owned Manhattan Bagel Restaurants
H Financial Statements
I Table of Contents for Manual
J State–specific Disclosures
K State–specific Agreement Amendments
L General Release Language
M Receipts (2 copies)

_____
Date Received

_____
Prospective Franchisee

_____
Date Received

_____
Name (please print)
Address: _____

_____

_____

EXHIBIT M
ITEM 23 • RECEIPT

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K State–specific Agreement Amendments
L General Release Language
M Receipts (2 copies)

_____
Date Received

_____
Prospective Franchisee

_____
Date Received

_____
Name (please print)
Address: _____

_____

_____